

BRAE
CORPORATION

RECORDATION NO. 9838 Filed 1425

NOV 15 1978-2 25 PM

INTERSTATE COMMERCE COMMISSION

H. G. Homme, Jr.
Acting Secretary
Interstate Commerce Commission
Washington, D. C. 20423

Dear Sir:

Enclosed for filing and recordation pursuant to Section 20c of the Interstate Commerce Act are the following documents relating to the railroad equipment described and marked in accordance with Schedule I attached hereto:

(1) Equipment Lease Agreement dated as of October 1, 1978 between First Maryland Leasecorp. and BraeLease Corporation;

(2) Lease Agreement dated as of March 1, 1978 between BRAE Corporation and Oregon & Northwestern Railroad Co., including Riders No. I, II, III, and IV and Schedules No. 1 and 2 thereto (the "ONW Lease"); and Assignment of Lease and Agreement dated as of October 1, 1978, between BraeLease Corporation and First Maryland Leasecorp relating to the ONW Lease;

(3) Assignment of Lease and Agreement dated as of October 1, 1978 between BraeLease Corporation and First Maryland Leasecorp, relating to the Lease Agreement dated as of February 23, 1978, as amended by Amendment No. 1 dated as of April 28, 1978 (the "ADN Lease"), between BRAE Corporation and Ashley, Drew & Northern Railway Company, which was filed on October 11, 1978 under Recordation Nos. 9753-B and 9753-C;

(4) Assignment of Purchase Agreement dated as of October 1, 1978 between BraeLease Corporation and First Maryland Leasecorp; and Consent to Assignment dated as of October 1, 1978 by PACCAR, Inc; and

(5) Assignment of Purchase Agreement dated as of October 1, 1978 between BraeLease Corporation and First Maryland Leasecorp; Consent to Assignment dated as of October 1, 1978 by Fruit Growers Express Company;

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The names and addresses of the parties to the documents listed above are as follows:

(1) Equipment Lease Agreement

- (a) Lessor: First Maryland Leasecorp
P.O. Box 1596
25 South Charles Street
Baltimore, Maryland 21203
- (b) Lessee: BraeLease Corporation
Three Embarcadero Center
San Francisco, CA 94111

(2) ONW Lease; Assignment of Lease and Agreement

- (a) Lessor-
Assignor: BraeLease Corporation
Three Embarcadero Center
San Francisco, CA 94111
- (b) Assignee: First Maryland Leasecorp
P.O. Box 1596
25 South Charles Street
Baltimore, Maryland 21203
- (c) Lessee: Oregon & Northwestern
Railroad Co.
c/o Edward Hines
Lumber Company
200 South Michigan Avenue
Chicago, Illinois 60604

(3) ADN Lease; Assignment of Lease and Agreement

- (a) Lessor-
Assignor: BraeLease Corporation
Three Embarcadero Center
San Francisco, CA 94111
- (b) Assignee: First Maryland Leasecorp
P.O. Box 1596
25 South Charles Street
Baltimore, Maryland 21203

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CORPORATION

(c) Lessee: Ashley, Drew & Northern
Railway Company
P.O. Box 757
Crossett, Arkansas 71635

(4) Assignment of Purchase Agreement

(a) Assignor: BraeLease Corporation
Three Embarcadero Center
San Francisco, CA 94111

(b) Purchaser-
Assignee: First Maryland Leasecorp
P.O. Box 1596
25 South Charles Street
Baltimore, Maryland 21203

(c) Builder: PACCAR, Inc
P.O. Box 1518
Bellevue, Washington 98009

(5) Assignment of Purchase Agreement

(a) Assignor: BraeLease Corporation
Three Embarcadero Center
San Francisco, CA 94111

(b) Purchaser-
Assignee: First Maryland Leasecorp
P.O. Box 1596
25 South Charles Street
Baltimore, Maryland 21203

(c) Builder: Fruit Growers Express Company
1101 Vermont Avenue
Washington, D. C. 20005

BRAE Corporation, the corporation which originally executed both the ADN Lease and the ONW Lease, was merged into its wholly-owned subsidiary, BraeLease Corporation, on September 27, 1978. Pursuant to such merger, BraeLease Corporation assumed all of the rights and obligations of BRAE Corporation. Accordingly, BraeLease Corporation, as the

*Re No 983950
ONW 5001-5050*

BRAE

CORPORATION

successor to BRAE Corporation, is now party to both the ADN Lease and the ONW Lease. */

The ADN Lease relates to additional railroad equipment not described on Schedule I hereto. BraeLease Corporation has assigned its interest in the ADN Lease, as it relates to such additional equipment, to Manufacturers Hanover Leasing Corporation, pursuant to a Loan and Security Agreement which was filed and recorded under Recordation Nos. 9753, 9753A and 9753D. The ADN Lease, as it relates to such additional equipment, has not been assigned to First Maryland Leasecorp. The ONW Lease also relates to additional railroad equipment not described on Schedule I hereto. The ONW Lease, as it relates to such additional equipment, has not been assigned to First Maryland Leasecorp.

Please file and record the enclosed documents and cross-index them under the names indicated below:

(1) Equipment Lease Agreement: the Lessor and the Lessee (both BraeLease Corporation and its predecessor, BRAE Corporation);

(2) ONW Lease: the Lessor-Assignor (both BraeLease Corporation and its predecessor, BRAE Corporation), the Assignee and the Lessee;

(3) ADN Lease: the Lessor-Assignor (both BraeLease Corporation and its predecessor, BRAE Corporation), the Assignee and the Lessee;

(4) Assignment of Purchase Agreement: the Assignor (both BraeLease Corporation and its predecessor, BRAE Corporation), the Purchaser-Assignee and the Builder; and

(5) Assignment of Purchase Agreement: the Assignor (both BraeLease Corporation and its predecessor, BRAE Corporation), the Purchaser-Assignee and the Builder.

Also enclosed is our check payable to the order of the Interstate Commerce Commission in the amount of \$210, the prescribed fee for filing and recording the enclosed documents.

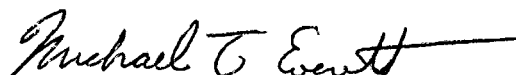
*/ As of October 30, 1978, Braelease Corporation changed its name to Brae Corporation.

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Return to the person presenting this letter, together with your letter confirming such filing and recordation and your fee receipt therefor, all counterparts of the enclosed documents not required for filing.

Very truly yours,



Michael T. Everett
Assistant Secretary

Enclosures

9836
RECORDATION NO. Filed 1425

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INTERSTATE COMMERCE COMMISSION

EQUIPMENT LEASE AGREEMENT
dated as of October 1, 1978

by and between

BRAELEASE CORPORATION

as Lessee

and

FIRST MARYLAND LEASECORP

as Lessor

NOV 15 1978 - 11 10 AM

Number INTERSTATE COMMERCE COMMISSION

Advanced	\$ 162,240.00
Interest	\$ 80,161.18
Total	\$ 242,401.18

THE FIRST NATIONAL BANK OF FORT WORTH
 SECURITY AGREEMENT - RAILROAD COAL CARS

A. PARTIES

- Debtor Ronald L. Trustman
- Address 2701 West El Segundo Blvd., Hawthorne, California 90250
- Bank: The First National Bank of Fort Worth
- Address: Post Office Box 2260, Fort Worth, Tarrant County, Texas, 76101

B. AGREEMENT

Subject to the applicable terms of this security agreement, Debtor grants to Bank a security interest in the collateral to secure the payment of the obligation.

C. OBLIGATION

- The following is the obligation secured by this agreement:
 - Note executed by Ronald L. Trustman in favor of The First National Bank of Fort Worth for the sum of One hundred sixty two thousand two hundred forty (\$162,240.00) Dollars, dated the 23rd day of October, 1978.
 - All past, present, and future advances, of whatever type, by Bank to Debtor, and extension and renewals thereof.
 - All existing and future liabilities, of whatever type, of Debtor to Bank, and including (but not limited to) liability for overdrafts and as indorser and surety.
 - All costs incurred by Bank to obtain, preserve and enforce this security interest, collect the obligation and maintain and preserve the collateral, and including (but not limited to) taxes, assessments, insurance premiums, repairs, reasonable attorneys' fees and legal expenses, rent, storage costs and expenses of sale.
 - Interest on the above amounts, as agreed between Bank and Debtor, or if no such agreement, at the maximum rate permitted by law.

D. COLLATERAL

- The security interest is granted in the following collateral:

Six (6) 4,000 cubic foot capacity 100 ton trucks, high slide, solid bottom gondola coal cars manufactured by Thrall Car Manufacturing Company bearing the numbers: PLMX 5061, PLMX 5062, PLMX 5063, PLMX 5064, PLMX 5065, PLMX 5066;

together with all rights of Debtor in and to any and all lease or rental agreements covering such equipment.

All substitutes and replacements for, accessions, attachments and other additions to the above property.

Together with all accounts receivable and contracts relating to such cars.

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THIS EQUIPMENT LEASE AGREEMENT is dated as of October 1, 1978 by and between FIRST MARYLAND LEASECORP, a Maryland corporation (the "Lessor"), and BRAELEASE CORPORATION, a Delaware corporation (the "Lessee");

W I T N E S S E T H:

Section 1. Certain Definitions. For all purposes of this Lease, the following terms shall have the following meanings (such definitions to be equally applicable both to the singular and plural forms of the terms herein defined):

(a) "Basic Rent" with respect to any Unit shall mean the aggregate rent payable throughout the Term of the Lease for such Unit pursuant to Section 3(b) of this Lease and Section 4 of the Lease Supplement for such Unit.

(b) "Basic Rent Payment Date" with respect to any Unit shall mean each date specified in the Lease Supplement for such Unit on which an installment of Basic Rent is due and payable with respect to such Unit.

(c) "Basic Lease Term Commencement Date" shall mean with respect to any Unit the date on which the Lessor pays the vendor for the last of the Units which are to be accepted hereunder identified on the Lease Supplement on which such Unit is identified, which shall in no event be later than ~~December 31, 1978~~.
FEB. 28, 1979

(d) "Business Day" shall mean any day other than Saturday, Sunday, or holiday on which banks are authorized to close in the States of California or Maryland.

(e) "Certificate of Acceptance" with respect to any Unit shall mean a certificate of acceptance, substantially in the form of Exhibit A hereto, to be delivered to Lessor by Lessee's authorized representative or representatives, evidencing the acceptance of such Unit by Lessee on behalf of Lessor and for all purposes of this Lease.

(f) "Code" shall mean the Internal Revenue Code of 1954, as amended to the date hereof.

(g) "Delivery Date" with respect to any Unit shall mean the date on which such Unit shall be delivered to and accepted by Lessee and shall be placed into service by Lessee.

(h) "Equipment" shall mean all Units, collectively.

(i) "Events of Default" shall have the meaning specified in Section 17 hereof.

(j) "Events of Loss" with respect to any Unit shall mean any of the following events with respect to such Unit unless same is replaced pursuant to the provisions of Section 8(a) hereof: (i) loss of such Unit or of the use thereof due to theft, disappearance, destruction, damage beyond repair or rendition of such Unit permanently unfit for normal use for any reason whatsoever; (ii) any damage to such Unit resulting in an insurance settlement with respect to such Unit on the basis of a total loss; (iii) the condemnation, nationalization, confiscation, prohibition of normal use of, seizure of, or requisition of title to such Unit by any governmental authority, for an aggregate period of six (6) months or more.

(k) "Final Delivery Date" shall mean with respect to any Unit the earlier of (i) the date as of which all Units identified on the Lease Supplement on which such Unit is identified shall have been accepted by Lessee, or (ii) December 31, 1978.

(l) "Immediately Available Funds" shall mean collected funds immediately available to the recipient thereof.

(m) "Interim Period" with respect to any Unit shall mean the period commencing on and including the date on which the Lessor pays the vendor of such Unit therefor and terminating on and including the Basic Lease Term Commencement Date for such Unit.

(n) "Interim Rent" with respect to any Unit shall mean the aggregate amount of rent payable by Lessee to Lessor on the Basic Lease Term Commencement Date for such Unit pursuant to Section 3(a) hereof and Section 4 of the Lease Supplement for such Unit.

(o) "Lease Agreement", "this Lease Agreement", "this Lease", "this Agreement", "Herein", "Hereof", "hereunder", or other like terms shall mean this Equipment Lease Agreement and (unless the context otherwise requires) shall include all Lease Supplements hereto, all amendments hereof from time to time entered into and all Exhibits hereto.

(p) "Lease Supplement" shall mean each of the Lease Supplements, substantially in the form of Exhibit B hereto, entered into by and between Lessor and Lessee for the purposes of (i) identifying the specific Units subject to this Lease and (ii) confirming the lease of such Units pursuant to the provisions hereof, which Lease Supplements shall incorporate by reference all of the provisions of this Lease Agreement. There shall be not more than two Lease Supplements, one relating to the Units to be manufactured by each vendor specified on Schedule I hereto.

(q) "Lessor's Cost" of a Unit of Equipment shall be the purchase price of such Unit paid or payable by Lessor pursuant to the invoices and/or bills of sale delivered to Lessor plus all inspection fees, sales and use taxes and shipping and similar costs incurred in respect of such Unit, said shipping and similar costs not to exceed 5% of the purchase price of such Unit.

(r) "Lien" or "Liens" shall mean any mortgage, pledge, lien, charge, encumbrance, security interest or claim of any kind.

(s) "Rent" shall mean and include Basic Rent, Interim Rent, and Supplemental Rent, collectively.

(t) "Sublease Assignment" shall mean an Assignment of Lease and Agreement, substantially in the form of Exhibit F hereto, entered into by and between Lessor and Lessee.

(u) "Supplemental Rent" shall mean any and all amounts, liabilities and obligations which Lessee assumes or agrees to pay hereunder to Lessor or others, including Termination Value payments, indemnification payments pursuant to Section 14 hereof and Expenses, as defined in Section 19 hereof, but excluding Basic Rent and Interim Rent.

(v) "Term" with respect to any Unit shall mean the period commencing on the Delivery Date thereof and expiring, unless earlier terminated pursuant to the provisions hereof, on the expiration date of the Term specified for such Unit in the Lease Supplement for such Unit and shall include all extensions and renewals.

(w) "Termination Value" for any Unit shall mean an amount determined by multiplying Lessor's Cost for such Unit by the percentage in Exhibit C hereto opposite the Basic Rent Payment Date with respect to which such computation is being made.

(x) "Unit" or "Unit of Equipment" shall mean each separate unit of equipment described in a Certificate of Acceptance.

Section 2. Acceptance and Lease.

(a) Lessor hereby agrees to deliver and lease to Lessee hereunder, and Lessee hereby agrees to accept for purposes of this Lease and to lease from Lessor hereunder, each Unit of Equipment, title to which is acquired by Lessor from the vendor or supplier thereof in accordance with Section 2(b) hereof. The delivery by Lessor of any Unit pursuant to this Lease and the acceptance thereof by Lessee for purposes of this Lease shall occur on or before the Final Delivery Date with respect to such Unit and shall be evidenced by the execution by Lessor and Lessee of a Lease Supplement with respect to such Unit. Any delivery of a Unit by Lessor to Lessee referred to in this Section 2(a) shall be deemed to occur simultaneously with the delivery of such Unit to Lessee for the account of Lessor by the vendor or supplier thereof.

(b) On behalf of Lessor, Lessee will cause each Unit to be physically delivered by the vendor or supplier thereof to Lessee at such location(s) in the continental United States of America acceptable to Lessor which Lessee may reasonably direct.

(c) Lessor hereby authorizes one or more employees or agents of Lessee to be designated by Lessee as the authorized representative or representatives of Lessor to inspect each Unit delivered to Lessee on the Delivery Date thereof and, if such Unit is found to be acceptable by such representative or representatives, to accept delivery of such Unit on behalf of Lessor and to execute and deliver to Lessor a Certificate of Acceptance in respect thereof, accompanied by an invoice from the vendor or supplier of such Unit setting forth the full purchase price payable therefor and a bill of sale executed by such vendor or supplier transferring full title of such Unit to Lessor. Lessee agrees that, in the event that delivery of any Unit shall be accepted by such representative or representatives pursuant to such authorization by Lessor, such acceptance of delivery on behalf of Lessor shall, without further act, irrevocably constitute acceptance by Lessee of such Unit for all purposes of this Lease.

Section 3. Rentals.

(a) Interim Rent. Lessee hereby agrees to pay Lessor Interim Rent on each Basic Lease Term Commencement Date for each Unit to which such Basic Lease Term Commencement Date relates, such payment to be in an amount as provided in Section 4 of the Lease Supplement for such Unit.

(b) Basic Rent. Lessee further agrees to pay Basic Rent to Lessor for each Unit computed on the basis set forth, in the number of installments provided, and on the dates provided, in the Lease Supplement for such Unit.

(c) Supplemental Rent. Lessee also agrees to pay to Lessor, or to whosoever shall be entitled thereto, any and all Supplemental Rent promptly as the same shall become due and owing, and in the event of any failure on the part of Lessee to pay any Supplemental Rent, Lessor shall have all rights, powers and remedies provided for herein or at law or in equity or otherwise in the case of non-payment of Basic Rent. Lessee will also pay to Lessor, on demand, as Supplemental Rent, to the extent permitted by applicable law, interest at the rate of 12% per annum (computed on the basis of a 360-day year of twelve 30-day months), on any part of Interim Rent or any part of any installment of Basic Rent not paid when due for any period for which the same shall be overdue and on any payment of Supplemental Rent not paid when due for the period from the due date until the same shall be paid.

(d) Time, Place, and Manner of Payment of Rent. Except as otherwise provided herein, Lessee shall pay all Rent and any other amounts owing hereunder, at or before 1:00 P.M. New York, New York local time, at 25 South Charles Street,

Post Office Box 1596, Baltimore, Maryland 21203, or by wire transfer to Account No. 058-9259-9 at First National Bank of Maryland on the due dates thereof, in Immediately Available Funds to Lessor or to such other persons or at such other place in the United States of America as Lessor may from time to time designate in writing.

(e) No Set-Off or Counterclaim by Lessee. This Lease is a net lease, and, except as otherwise specifically provided in Sections 11 and 12 hereof, Lessee's obligation to pay all Rent payable hereunder shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation, (i) any set-off, counterclaim, recoupment, defense or other right which Lessee may have against Lessor, any vendor, supplier, manufacturer, contractor or builder of any of the Units or any predecessor or successor of any of the foregoing or anyone else for any reason whatsoever, (ii) any defect in the compliance with specifications, condition, merchantability, design, operation or fitness for use of any Unit, (iii) any defect in the title to, or the existence of any Liens (other than Liens resulting from claims against Lessor not related to its ownership of the Units, but only to the extent Lessee is denied the use of any Unit or Units) or rights of others whatsoever with respect to, any Unit, (iv) any damage to, mechanical breakdown or failure or loss or destruction of any Unit, or any interruption or cessation in use or possession of any Unit by Lessee for any reason whatsoever (other than Liens resulting from claims against Lessor not related to its ownership of the Units, but only to the extent Lessee is denied the use of any Unit or Units) and of whatever duration, (v) any insolvency, bankruptcy, reorganization or similar proceedings by or against Lessee, (vi) the invalidity or unenforceability of, or any other infirmity in, this Lease or any other document, instrument or agreement or any lack of power of Lessee or Lessor to enter into any of the foregoing, (vii) the breach or failure of any obligation, covenant, warranty, representation, undertaking, condition or other term of any document, instrument or agreement referred to in the foregoing clause (vi), or (viii) any other circumstances or happening whatsoever, whether or not similar to any of the foregoing. Nothing contained herein shall be deemed to require the continuation of any payments of Interim Rent or Basic Rent after the obligations to make such payments have ceased pursuant to the specific provisions hereof. To the extent permitted by applicable law, Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender this Lease except in accordance with the express terms hereof. If for any reason whatsoever this Lease shall be terminated in whole or in part by operation of law or otherwise, except as specifically provided herein, or shall be disaffirmed by any trustee or receiver for Lessee, Lessee shall nonetheless pay Lessor an amount equal to each Rent payment at the time such payment would have become due and payable in accordance with the terms of this Lease had this Lease not been terminated or disaffirmed in whole or in part. Each Rent payment made by Lessee shall be final, and Lessee will not seek to recover all or any part of such payment for any reason whatsoever; provided, however, that this Section 3(e) shall not constitute a waiver by Lessee of any rights to sue for damages or specific performance for breach of any obligations by the Lessor or any other persons.

Section 4. Term. The Term for each Unit shall commence on the Delivery Date thereof and, unless earlier terminated, shall end on the expiration date of the Term specified in the Lease Supplement for such Unit.

Section 5. Representations and Warranties.

(a) Lessor's Warranties and Representations. AS BETWEEN LESSOR AND LESSEE, LESSEE TAKES THE EQUIPMENT AND EACH UNIT THEREOF AS IS, AND LESSEE ACKNOWLEDGES THAT LESSOR SHALL NOT BE DEEMED TO HAVE MADE ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE TITLE, COMPLIANCE WITH SPECIFICATIONS,

CONDITION, MERCHANTABILITY, DESIGN, CONDITION, WORKMANSHIP, QUALITY, DURABILITY, OPERATION OR FITNESS FOR USE OR PURPOSE OF THE EQUIPMENT, OR ANY UNIT THEREOF, OR ANY COMPONENT PART THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE EQUIPMENT, OR ANY UNIT THEREOF, OR COMPONENT PART THEREOF OR OTHERWISE, it being agreed that all risks, as between Lessor and Lessee, are to be borne by Lessee. Unless and until an Event of Default (or other event which after lapse of time or notice or both would become an Event of Default) shall have occurred and be continuing, Lessor hereby assigns and agrees to otherwise make available to Lessee such claims and rights as Lessor may have under any warranty made with respect to any Unit by any manufacturer, vendor or supplier thereof. Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between Lessee and Lessor that the Units described therein are in all the foregoing respects satisfactory to Lessee, and Lessee will not assert any claim of any nature whatsoever against Lessor based on any of the foregoing matters.

Lessor warrants that it has not created any Liens of whatsoever nature upon the Equipment as a result of claims against Lessor not related to its ownership of the Equipment.

Lessor hereby makes the following warranties and representations to Lessee:

(i) Lessor is a corporation duly organized, validly existing and in good standing under the laws of Maryland and has all requisite corporate power and authority to own its properties and carry on its business as presently conducted and as presently proposed to be conducted;

(ii) the execution, delivery and performance of this Lease by Lessor have been duly authorized by all requisite corporate action; and

(iii) Lessor is acquiring its interest in the Units and this Lease for its account for investment, and not with a view to, or for sale in connection with, any distribution thereof, nor with any present intention of distributing or selling such interest, but subject nevertheless, to any requirement of law that the disposition of its property be at all times within its control.

(b) Lessee's Warranties and Representations. Lessee hereby makes the following warranties and representations to Lessor:

(i) Lessee is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation, is duly qualified to do business as a foreign corporation and is in good standing in such other jurisdictions in which the conduct of its business or the ownership of its properties makes such qualification necessary and possesses full corporate power and authority to own its property and to conduct its business as now conducted and as presently proposed to be conducted and to own or hold under lease and operate its property and assets;

(ii) the execution, delivery and performance of this Lease have been duly authorized by all necessary corporate action on the part of Lessee, do not require any stockholder approval, or approval or consent of any trustee or holders of any indebtedness or obligations of Lessee except such as have been duly obtained, and do and will not contravene any law, governmental rule, regulation or order binding on Lessee or any of its subsidiaries or the certificate of incorporation or by-laws of Lessee or any of its subsidiaries or contravene the provisions of, or constitute a default under, or result in the creation of any Lien (other than as permitted under this Lease) upon the property of Lessee under any indenture, mortgage, contract or other agreement to which Lessee or any of

its subsidiaries is a party or by which it or any of its subsidiaries may be bound or affected;

(iii) neither the execution and delivery by Lessee of this Lease, nor the consummation of any of the transactions by Lessee contemplated hereby, requires the consent or approval of, the giving of notice to, or the registration with, or the taking of any other action in respect of, the Securities and Exchange Commission or any other Federal, state or foreign governmental authority or agency except such as have already been given or obtained; however, this Lease Agreement and certain related documents will be recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act; *M.F.*

(iv) this Agreement constitutes, and the Lease Supplements, when entered into, will each constitute, legal, valid and binding obligations of Lessee enforceable against Lessee in accordance with the terms hereof and thereof, subject only to the limitations of bankruptcy or insolvency laws affecting the rights of creditors generally;

(v) except as specifically described in Exhibit D hereto, there are no pending or threatened actions or proceedings before any court or administrative agency which will materially adversely affect the consolidated financial condition, business or operations of Lessee and its consolidated subsidiaries, or the ability of Lessee to perform its obligations under this Lease;

(vi) Lessee has filed or caused to be filed all Federal, state, local and foreign tax returns which are required to be filed and has paid or caused to be paid all taxes shown to be due and payable on such returns or (except to the extent being contested in good faith and for the payment of which adequate reserves have been provided) on any assessment received by Lessee, to the extent that such taxes have become due and payable;

(vii) Lessee is not in default in the payment of principal or interest on any indebtedness for borrowed money, or the payment of rent under any long-term rental obligation. Other than in defaults which would not have a material adverse effect on Lessee's ability to perform its obligations hereunder, Lessee is not in default under any instruments or agreements covering or relating to any indebtedness for borrowed money or in default under the provisions of any long-term rental obligation under which Lessee is the lessee, and no event has occurred and is continuing under the provisions of any such instrument or agreement which, with the lapse of time or the giving of notice or both, would constitute an event of default thereunder;

(viii) except as set forth specifically in Exhibit D hereto Lessee has received no notice of any pending judicial or administrative proceedings which, in the opinion of Lessee, presents a substantial risk of prohibition or material interference with the operation or use of any Unit of Equipment contemplated by Lessee, and there is no applicable law or governmental regulation which prohibits the operation or use of any Unit of Equipment contemplated by Lessee;

(ix) the balance sheets of Lessee's predecessor as of October 18, 1977 and July 31, 1978, copies of which have been furnished to Lessor, have been prepared in conformity with generally accepted accounting principles and present fairly the financial condition of Lessee as at the dates thereof, and since July 31, 1978 there has been no material adverse change in such financial condition (except as previously disclosed in writing by Lessee to Lessor) of Lessee; provided, however, that for the purpose of this representation a decrease in Lessee's net worth to not less than \$8,500,000 shall be deemed to be not materially adverse;

(x) each Unit will at all times during the Term of this Lease constitute "new section 38 property" within the meanings of sections 48(a) and 48(b) of the Code, and, at all times of delivery of the Unit to, and the acceptance *M,*

^{UNIT}
of the ~~Equipment~~ by, Lessee hereunder, the Unit will not have been placed in service by Lessee or any other person so as to preclude "the original use of such property" within the meaning of sections 48(b) and 167(c) (2) of the Code from commencing with the Lessor; and M.E.

(xi) each Unit on the date of delivery thereof will have an estimated useful life of at least five (5) years beyond the expiration of the Term for such Unit of Equipment and an estimated fair market value at the end of such Term of at least 20% of Lessor's Cost, without including in such fair market value any increase or decrease for inflation or deflation during the Term of the Lease for such Unit of Equipment. Nothing contained herein shall be deemed to constitute a guaranty by Lessee of the residual value of the Equipment.

Section 6. Ownership, Location, Use of Equipment.

(a) The Equipment shall be the exclusive property of Lessor, and Lessee shall have no rights therein except the right to use (and sublease) it so long as Lessee is not in default hereunder.

(b) Lessee agrees that the Equipment will be used solely in the conduct of its business (including sublease of the Equipment to railroads organized under the laws of any state of the United States), with due care to prevent injury thereto or to any person or property and in conformity with all applicable laws, ordinances, rules, regulations and other requirements of any insurer or governmental body (including, without limitation, any requirements regarding licensing or registration, or evidencing title to the Equipment, all of which shall be done in such manner as shall have previously been approved in writing by Lessor). Lessor, or any duly authorized representative thereof, may during reasonable business hours from time to time inspect the Equipment wherever the same may be located.

(c) Lessee agrees to comply in all respects with all laws of the jurisdictions in which the Units may be operated, with the interchange rules of the Association of American Railroads, if applicable, and with all lawful rules of the Department of Transportation and the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units. In the event that such laws or rules require the alteration of the Units or in case any equipment or appliance on any such Unit shall be required to be changed or replaced, or in case any additional or other equipment or appliance is required to be installed on such Unit in order to comply with such laws, regulations, requirements and rules, Lessee agrees to make such alterations, changes, additions and replacements at its own expense; and Lessee agrees at its own expense to use, maintain and operate such Unit in full compliance with such laws, regulations, requirements, and rules so long as the Units are subject to this Lease Agreement; provided, however, that Lessee may, in good faith, contest the validity or application of any such law, regulation, requirement or rule in any reasonable manner which does not adversely affect the property or rights of the Lessor hereunder; and further provided, however, that any additions to the Units which can be removed without material damage to the Units shall become the property of Lessee on the termination of this Lease Agreement. m.f.

(d) Lessee acknowledges and agrees that it has not, and by the execution hereof, it does not have or obtain, any title to the Equipment, nor any property right or interest, legal or equitable therein, except solely as lessee hereunder and subject to all the terms hereof. Lessee covenants and agrees that, prior to or concurrently with the delivery of the Equipment hereunder, Lessee will cause each Unit to be plainly, permanently and conspicuously marked, by stenciling or by a metal tag or plate or decal affixed thereto, with the following legend:

"FIRST MARYLAND LEASECORP, OWNER-LESSOR",

For other appropriate words designated by Lessor, with appropriate changes and additions thereto as from time to time may be required by law in order to protect the title of Lessor to such Unit and the rights of Lessor under this Lease Agreement. Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such names and words shall have been so marked on both sides thereof and will replace promptly any such names and word or words which may be removed, defaced or destroyed. Lessee shall maintain on each Unit of Equipment the serial and other identifying numbers, if any, set forth on the applicable Certificate of Acceptance. Lessee will not change the identifying number of any Unit except in accordance with a statement of new identifying numbers to be substituted therefor, which statement previously shall have been filed with Lessor by Lessee and filed, recorded or deposited by Lessee in all public offices where this Lease Agreement shall have been filed, recorded or deposited. Except as above provided, Lessee, so long as this Lease Agreement shall remain in effect, will not allow the name of any person, association or corporation to be placed on the Units as a designation that might be interpreted as a claim of ownership; provided, however, that Lessee may cause the Units to be lettered with the names or initials or other insignia customarily used by Lessee or its affiliates or its sublessees permitted pursuant to Section 20 hereof on railroad equipment used by them of the same or a similar type for convenience of identification of their right to use the Units as permitted under this Lease Agreement.

(e) Lessee further agrees that: (a) it will not permit its rights or interest hereunder to be subject to any Lien; and (b) it will keep the Equipment free and clear of any and all Liens, charges and encumbrances which may be levied against or imposed upon it as a result of the failure of Lessee for any reason to perform or observe any of the covenants and agreements required to be performed or observed by Lessee hereunder.

(f) So long as no Event of Default or event which with the giving of notice or passage of time or both would constitute an Event of Default shall have occurred and be continuing, Lessee shall be entitled to sublease the Units in accordance with Section 20 hereof to any railroad incorporated under the laws of any State of the United States or the District of Columbia, and any such sublessee may permit the use of the Units upon connecting or other carriers in the usual interchange of traffic or pursuant to run-through agreements, but only upon and subject to all the terms and conditions of this Lease; provided, however, that Lessee will not permit the regular and continuous use and maintenance of the Units outside the United States. M.E. M.E.

Section 7. Maintenance of Equipment.

Lessee, at its own expense, shall maintain, service and repair the Equipment to the same extent as Lessee would, in the prudent management of its own properties maintain, service and repair similar equipment owned by Lessee, and, in any event to the extent required, shall maintain the Equipment in as good operating condition as when delivered to Lessee hereunder, ordinary wear and tear excepted, and in compliance with any applicable requirements of law or of any foreign, federal, state or local governmental authority having jurisdiction. Lessee shall supply all parts, service, and other items required in the operation and maintenance of the Equipment. Lessee shall not, without the prior written consent of Lessor, make any additions to the Equipment. All parts, replacements, substitutions, and additions to the Units which can be removed without material damage to the Units shall become the property of Lessee on the termination of this Lease Agreement. Except as otherwise specifically provided in Section 12 hereof, Lessee assumes all risk of, and Lessee's obligations under this Lease Agreement shall continue unmodified despite, any loss, theft, destruction, damage, condemnation, requisition or taking by eminent domain or other interruption or termination of use of any Equipment regardless of the cause thereof.

Section 8. Replacement of Parts; Alterations; Modifications and Additions.

(a) Replacement of Parts. Lessee, at its own expense, and in order to maintain each Unit in the condition in which it is required to be maintained by the terms of Sections 6 and 7 hereof, will promptly replace all parts, appliances, instruments, appurtenances, accessories, furnishings and other equipment of whatever nature (herein for the purposes of this Section 8 collectively called "Parts") which may from time to time be incorporated or installed in or attached to any Unit and which may from time to time become worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or permanently rendered unfit for use, unless by reason thereof such Unit has suffered an Event of Loss, and shall promptly replace any Unit to which any event described in clauses (i), (ii) or (iii) of Section 1(j) hereof has occurred and for which Lessee desires not to make a payment of Termination Value pursuant to Section 12 hereof; provided, however, that in any event such replacement shall be made or provided for pursuant to the provisions of this Section 8(a) on or before the date the Termination Value for such Unit would otherwise be payable pursuant to Section 12 hereof. All replacement Parts or replacement Units shall be free and clear of all Liens except those permitted under Section 14 hereof, and shall be in good operating condition as, and shall have a value and utility at least equal to, the Parts or Units replaced, assuming for such purpose that such replaced Parts or Units were in the condition and repair required to be maintained by the terms of Sections 6 and 7 hereof.

All parts at any time removed from any Unit shall remain the property of Lessor, no matter where located, until such time as replacement Parts meeting the requirements of the immediately preceding paragraph have been incorporated or installed in or attached to such Unit. Thereupon, without further act or notice:

(i) All of Lessor's right, title and interest in and to the removed Part shall vest in Lessee or its designee free and clear of all rights of Lessor and without recourse, warranty or representation on the part of Lessor (other than Lessor's warranty as to the absence of any defects in title arising out of any action or inaction of Lessor);

(ii) Title to such replacement Part shall thereupon vest in Lessor; and

(iii) Such replacement Part shall become subject to this Lease and be deemed a Part of such Unit for all purposes hereof to the same extent as the Parts originally incorporated or installed in such Unit.

Each Unit to be replaced shall remain the property of Lessor, no matter where located, until such time as title to a replacement Unit meeting the requirements specified above shall be transferred to Lessor whereupon such Unit of Equipment shall become a Unit subject to this Lease for all purposes in the same manner as the replaced Unit, and all of Lessor's right, title and interest in and to the replaced Unit shall thereupon vest in Lessee or its designee free and clear of all rights of Lessor and without recourse, warranty or representation on the part of Lessor (other than Lessor's warranty as to the absence of any defects in title arising out of any action or inaction of Lessor).

Lessee will deliver to Lessor such documents, including without limitation bills of sale and supplements to this Lease as Lessor shall reasonably request to perfect and/or evidence title in Lessor in and to any replacement part or units of equipment replacing Units.

(b) Alterations, Modifications, and Additions. Lessee, at its own expense, shall make such alterations, modifications and additions (herein for the purpose of Sections 8 and 9 hereof collectively called "Alterations") to any Unit

as may be required from time to time to meet the requirements of law or of any governmental authority having jurisdiction. In addition, Lessee, at its own expense, may from time to time make such Alterations to any Unit as Lessee may deem desirable in the proper conduct of its business; provided, however, that no such Alteration shall diminish the value or utility of such Unit below the value, utility and condition thereof immediately prior to such Alteration assuming for such purpose that such Unit was then in the condition in which it is required to be maintained by the terms of Sections 6 and 7 hereof.

Title to all Parts incorporated or installed in or attached to any Unit as the result of Alterations shall without further act, vest in Lessor in the following cases:

(i) Such Part is in replacement of or in substitution for, and not in addition to, any Part originally incorporated or installed in or attached to such Unit at the time of the acceptance thereof hereunder or any Part in replacement of, or substitution for, any such Part;

(ii) Such Part is required to be incorporated or installed in or attached to such Unit pursuant to the terms of Sections 6 and 7 and the first sentence of Section 8(b) hereof; or

(iii) Such Part cannot be removed from such Unit without diminishing or impairing the value or utility which such Unit would have had at such time had such Alterations not occurred.

Lessee will deliver to Lessor such documents, including without limitation bills of sale and supplements to this Lease as Lessor shall reasonably request to perfect and/or evidence title in and to such replacement Part in Lessor.

Title to all Parts constituting additions or accessions to any Unit which are not deemed necessary to or an integral part of the ordinary operation of such Unit and which can be removed from such Unit without diminishing or impairing the value or utility which such Unit would have had in the absence of such Alterations, shall remain in Lessee upon becoming attached to such Unit. At Lessor's request, Lessee, at its own expense and risk, shall remove such Part prior to returning such Unit to Lessor. Any such Part which is not so removed by Lessee shall become, without further act, the property of Lessor at the time such Unit is returned to Lessor.

Section 9. Inspection, Records and Reports. At all reasonable times Lessor or its authorized representatives may inspect the Equipment and Lessee's books and records relating thereto, and Lessee will, at such times as Lessor may reasonably request, furnish to Lessor accurate and current records regarding the condition, location and state of repair of the Equipment. Lessor acknowledges that Lessee intends to sublease the Units to one or more railroads, which may render impractical Lessor or Lessee's immediate access to the Units. Lessor shall have no duty to make any such inspection or inquiry, and shall not incur any liability or obligation by reason of not making any such inspection or inquiry. To the extent permissible, Lessee will prepare and file in timely fashion or, where Lessor is required to file, prepare and deliver to Lessor within a reasonable time prior to the date for filing, any reports with respect to the condition or operation of any Unit during the Term of this Lease for such Unit which are required to be filed with any foreign, federal, state or other governmental or regulatory authority.

Section 10. Disposition of Units upon Expiration of Term.

(a) Return and Surrender of Units. Upon the expiration of the Term of this Lease for any Unit, unless such Unit is then being purchased or re-leased by Lessee as provided for in Sections 10(b) and 10(c) hereof, or unless this Lease with respect to such Unit has been terminated, as provided for in Sections 11(b) or 12, Lessee will, at Lessee's own cost and expense and at its own risk, return such Unit to Lessor at any reasonable location in the continental United States as Lessor shall designate to Lessee in writing. Such returned Units shall be free and clear of all Liens (except such as may have arisen from Lessor's own acts), and shall be in as good operating condition as when delivered to Lessee hereunder, ordinary wear and tear excepted. Upon Lessor's written request Lessee shall provide Lessor with free storage facilities for such Units for a period not exceeding one hundred eighty (180) days. Delivery by Lessee of the Units to a storage facility pursuant to the preceding sentence shall be in complete satisfaction of Lessee's redelivery obligation pursuant to the first sentence of this Section 10(a). Lessee shall bear all costs of transportation for each Unit to such place of delivery. Prior to the expiration of the Term for any Unit and during any storage period as described above, Lessee will permit Lessor or cause Lessor to be permitted to inspect any Unit, either directly or through any person or persons designated by Lessor, including any authorized representative or representatives of any prospective purchaser or lessee of such Unit; provided, however, that Lessee shall not be liable, except in the case of negligence (in the absence of contributory negligence) or intentional misconduct of Lessee or any sublessee thereof or any of their respective agents and employees, for any injury to, or death of, any person exercising, either on behalf of Lessor or any prospective purchaser or lessee, the rights of inspection granted hereunder. The delivery, storage, and transporting of such Units as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction, Lessor shall be entitled to a decree against Lessee requiring specific performance of the covenants of Lessee herein so to deliver, store or transport the Units.

(b) Lessee's Purchase Option: Provided that this Lease has not been earlier terminated pursuant to Sections 11 and 12 hereof, provided that no Event of Default (or other event which after lapse of time or notice or both would become an Event of Default) has occurred or is continuing hereunder, and provided that Lessee has elected not to renew this Lease pursuant to Section 10(c) hereof, in the event the Lessor elects to sell any or all Units to third parties at (or as soon after as is practicable) the expiration of the Term, the Lessee shall be given written notice of such intention not less than ninety (90) days prior to the expiration of the Term. In the event that the Lessor shall receive a bona fide offer in writing from another party unrelated to the Lessee to purchase the Units and the Lessor elects to sell the Units pursuant to such offer, the Lessor shall give written notice to the Lessee of such offer. Such notice shall include the price and the terms and conditions of payment offered by the other party in writing to the Lessor. The Lessee shall have the sole right and option to purchase the Units for cash at the price at which the Units are proposed to be sold or under the other terms and conditions of payment offered by the other party, as hereinafter provided. Within ten (10) Business Days of receipt of notice from the Lessor, the Lessee shall exercise such purchase right by delivery to the Lessor of a written notice specifying a date of purchase, which date shall not be later than the later of (i) fifteen (15) days after the date of delivery of such notice by the Lessee to the Lessor or (ii) thirty (30) days after the expiration of the Term of this Lease. In the event that the Lessee shall have delivered a notice of its election to purchase the Units, this Lease (including the obligation to pay Rent) shall, if necessary, be further extended upon the same terms and conditions set forth herein from the date such notice is delivered to the Lessor until the date of such purchase. In the event that the Lessee shall not have delivered a notice of its election to purchase the Units as set forth herein, Lessee's right to purchase the Units shall forthwith cease and Lessee shall be deemed to have not exercised its option to purchase the Units.

(c) Lessee's Renewal Option.

(i) Provided that this Lease has not been earlier terminated pursuant to Sections 11 and 12 hereof and provided no Event of Default (or other event which after the lapse of time or notice or both would become an Event of Default) has occurred or is continuing hereunder, the Lessee may by written notice delivered to the Lessor not less than one hundred (100) nor more than one hundred eighty (180) days prior to the end of the Term, elect to extend the Term of this Lease in respect of all but not less than all the Units then covered by this Lease for an additional period of one (1) year or any integral multiple thereof, commencing on the scheduled expiration of the then Term, at a "Fair Market Rental" payable, in arrears, in quarterly payments on the month and day such rentals were payable for the Units in each year of the original Term and in accordance with all the terms and conditions of this Lease; provided, however, that in no event shall the aggregate of all renewal terms pursuant to this Section 10(c) exceed ten (10) years.

(ii) Fair Market Rental shall be determined for each extended term of this Lease on the basis of, and shall be equal in amount to, the rental which would be obtained in an arm's-length transaction between an informed and willing lessee (other than a lessee currently in possession) and an informed and willing lessor under no compulsion to lease, and, in such determination, costs of removal from the location of current use shall not be a deduction from such rental.

(iii) If, after forty-five (45) days from the giving of notice by the Lessee of Lessee's election to extend the Term of this Lease, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Rental of the Units, such rental shall be determined in accordance with the foregoing definition by the following procedure: If either party to such determination shall have given written notice to the other requesting determination of such value by this appraisal procedure, the parties shall consult for the purpose of appointing a qualified independent appraiser by mutual agreement. If no such appraiser is appointed within fifteen (15) days after such notice is given, each party shall appoint an independent appraiser within thirty (30) days after such notice is given, and the two appraisers so appointed shall within forty-five (45) days after such notice is given appoint a third independent appraiser. If no such third appraiser is appointed within forty-five (45) days after such notice is given, either party may apply, to make such appointment, to the American Arbitration Association, and both parties shall be bound by any appointment so made. Any appraiser or appraisers appointed pursuant to the foregoing procedure shall be instructed to determine the Fair Market Rental of the Units subject to the proposed extended term within ninety (90) days after his or their appointment. If the parties shall have appointed a single appraiser or if either party shall have failed to appoint an appraiser, the determination of Fair Market Rental of the single appraiser appointed shall be final. If three appraisers shall be appointed, the determination of the appraiser which differs most from that of the other two appraisers shall be excluded, the remaining two determinations shall be averaged and such latter average shall be final and binding upon the parties hereto as the Fair Market Rental. The appraisal proceedings shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association as in effect on the date hereof, except as modified hereby. The provision for this appraisal procedure shall be the exclusive means of determining Fair Market Rental and shall be in lieu of any judicial or other procedure for the determination thereof, and each party hereto hereby consents and agrees not to assert any judicial or other procedures. The expenses of the appraisal procedure shall be borne one-half by Lessee and one-half by Lessor, unless an Event of Default shall have occurred and be continuing in which case they shall be borne entirely by Lessee.

m.f.m.

* Basic Lease Term Commencement
date with respect to such Unit

Section 11. Right of Termination. *m.f.m.*

Lessee shall have the option to terminate the Lease in whole or in part and in respect to one or more Units of Equipment then under lease seven (7) years after the * and anytime thereafter on any Basic Rent Payment Date but only for reasons of economic obsolescence or surplus needs, as evidenced by a resolution adopted by Lessee's Board of Directors, acting in good faith, or any other reasons deemed acceptable by Lessor provided no Event of Default (or other event which after lapse of time or notice or both would become an Event of Default) is then continuing immediately prior to the termination being then elected by Lessee. For purposes of this Section 11, the effective date of such termination is called the "Termination Date". If Lessee desires to exercise any such option to terminate, it shall give Lessor written notice of its election to terminate at least ninety (90) days prior to the Termination Date of the Lease then being elected by Lessee in accordance with the following terms, conditions and procedures:

(a) During the period from the giving of such notice until the Termination Date, Lessee, as agent for Lessor, shall use its best efforts to obtain bids for the purchase of the terminated Units described in such notice and in the event it receives any bid, Lessee shall, at least ten (10) Business Days prior to the proposed date of such sale provide to Lessor the name and address of the party (who shall not be Lessee or any person, firm or corporation affiliated with Lessee) submitting such bid.

(b) On or before the Termination Date (i) Lessee shall deliver such terminated Units to the bidder, if any, which shall have submitted the highest bid prior to such date, in the same manner as if the delivery were made to Lessor pursuant to Section 10(a) and (ii) Lessor shall simultaneously therewith sell such terminated Units for cash to such bidder on an "as is" and "where is" basis, free and clear of all Lessor's Liens, but otherwise without recourse, warranty or representation. The total selling price at such sale shall be retained by Lessor, and, in addition, on the Termination Date, Lessee shall pay to Lessor, in Immediately Available Funds, the excess, if any, of (i) the Termination Value for such terminated Units as computed as of the applicable Basic Rent Payment Date, over (ii) the sale price, if any, of such terminated Units after deducting the expenses incurred by Lessor in connection with such sale. Lessor shall not be under any duty to solicit bids, or otherwise to take any action in connection with any such sale other than Lessor's duty to transfer to the purchaser named in the highest bid certified by Lessee to Lessor without recourse, warranty or representation, all of Lessor's right, title and interest in and to such terminated Units, against receipt of the payments provided for herein.

(c) If no sale shall have occurred on or as of the Termination Date, or if Lessee certifies to Lessor in writing at least ten (10) Business Days prior to the Termination Date that no bids reasonably acceptable to Lessee have been received (which certificate shall indicate the amounts of bids which were received), this Lease at Lessee's option shall continue in full force and effect as to such Unit. In the event of any such sale or upon Lessee's election to pay the entire Termination Value and in any event upon compliance by Lessee with the provisions of this Section 11, the obligation of Lessee to pay Basic Rent hereunder with respect to such Unit shall cease immediately after the Termination Date. Lessor shall be under no duty to solicit bids, to inquire into the efforts of Lessee to obtain bids, or otherwise to take any action in connection with any such sale other than to transfer to the purchaser named in the highest bid certified by Lessee to Lessor without recourse, warranty or representation, all of Lessor's right, title and interest in and to such Unit, against receipt of the payments provided for herein.

Section 12. Loss, Destruction, Condemnation or Damage.

(a) Payment of Termination Value. If an Event of Loss with respect to any Unit occurs, Lessee shall give Lessor written notice thereof as soon as practicable after such Event of Loss, which notice shall certify that the Event of Loss has occurred and that such Unit will not be operated thereafter by Lessee. Lessee shall pay to Lessor on the Basic Rent Payment Date next following the notice of occurrence of such Event of Loss, the Termination Value for such Unit computed as of such Basic Rent Payment Date immediately following such Event of Loss. Upon such payment, this Lease shall terminate in respect of such Unit and no further Basic Rent or Interim Rent shall be payable for or in respect thereof but Lessee shall remain liable for any Rent due on or before the date of payment of such Termination Value to the extent not then paid, and all remaining right, title and interest of Lessor, if any, in and to such Unit shall vest in Lessee.

(b) Application of Payments Not Relating to an Event of Loss. Any payments received at any time by Lessor from any governmental authority or other party (including condemnation or insurance proceeds) with respect to any condemnation, confiscation, or seizure of, or requisition of title to or use of, any Unit not constituting an Event of Loss, will be paid over to and retained by Lessee; provided that if any Event of Default (or other event which after lapse of time or notice or both would become an Event of Default) shall have occurred and be continuing, all such payments shall be held by Lessor as security for the obligations of Lessee under this Lease and shall be paid over to Lessee when such Event of Default or other event shall cease to be continuing, unless Lessor shall have theretofore declared this Lease to be in default pursuant to Section 17 hereof, in which event such amounts shall be retained by Lessor as Supplemental Rent.

(c) Application of Payments to an Event of Loss. In case of all payments (other than insurance proceeds) received by Lessor or Lessee from any governmental authority or otherwise as compensation for an Event of Loss with respect to any Unit occurring on or after the Delivery Date thereof, so much of such payment as shall not exceed the sum of the Termination Value of such Unit required to be paid by Lessee as above provided and any Rent then due and owing by Lessee hereunder with respect to such Unit shall be applied, first, in reduction of Lessee's obligation to pay such Rent, if any, then due and owing and, second, in reduction of Lessee's obligation to pay such Termination Value if not already paid by Lessee, or if already paid by Lessee and provided no Event of Default (or any event which after lapse of time or the giving of notice or both would become an Event of Default) shall have occurred and be continuing, to reimburse Lessee for its payment of such Termination Value; and the balance, if any, of such payments remaining thereafter shall be paid over to, or retained by, Lessee provided no Event of Default (or any event which after lapse of time or the giving of notice or both would become an Event of Default) shall have occurred and be continuing.

Section 13. Liens. Lessee will not directly or indirectly create, incur, assume or suffer or permit to exist any Lien on, or with respect to, any Unit, title thereto or any interest therein, except:

(i) The respective rights of Lessor or Lessee under this Lease and any security interest created in favor of any person or persons furnishing financing in respect of the acquisition by Lessor of the Equipment;

(ii) Liens which would result from claims against Lessor not related to the ownership of the Units;

(iii) Liens for taxes either not yet due or being contested in good faith (and for the payment of which adequate reserves have been provided) and by appropriate proceedings so long as such proceedings do not involve any danger of the sale, forfeiture or loss of any Unit or any interest therein;

(iv) Inchoate and non-possessory materialmen's, mechanics', workmen's, repairmen's, employees' or other like Liens arising in the ordinary course of business and security obligations which are not delinquent, or which are being contested in good faith (and for the payment of which adequate reserves have been provided) by appropriate proceedings by Lessee; and

(v) The rights of sublessees under any subleases of some or all of the Units which comply with the provisions of Section 20 hereof.

Lessee will promptly notify Lessor in writing of the existence of any Lien not excepted above, upon learning of same, and will promptly, at its own expense, cause any such Lien to be discharged, dismissed and removed, or fully bonded.

Section 14. Taxes.

(a) General Indemnity. Subject to the provisions of the next paragraph of this Section 14(a), Lessee agrees to pay as and when due and payable, and to indemnify and hold Lessor harmless from, all license and registration fees and all taxes, including without limitation, franchise, sales, use, personal property, real property, stamp, interest equalization or other taxes, assessments, levies, imposts, duties, charges or withholdings of any nature (together with any penalties, fines or interest thereon) imposed against Lessor, Lessee or any Unit at any time, by any federal, state or local government or local taxing authority in the United States of America or by any government, subdivision thereof, or taxing authority of any foreign country, upon or with respect to any Unit, or upon or with respect to the purchase, ownership, rehabilitation, delivery, leasing, sub-leasing, dedication, possession, use, operation, return or the disposition thereof, or upon the rentals, receipts arising therefrom or any other payments made by Lessee under this Lease or upon the income or other proceeds received with respect to the Equipment or any Unit or upon or with respect to this Lease, unless, and only to the extent that, any such tax, fee or other charge is being contested by Lessee in good faith (and for the payment of which adequate reserves have been provided) by appropriate proceedings so long as such proceedings do not involve any danger of the sale, forfeiture or loss of any Unit or any interest therein. Lessee further agrees that, with respect to any payment or indemnity hereunder, such indemnities shall include any amount necessary to hold Lessor harmless on an after-tax basis from all taxes required to be paid by Lessor with respect to such payment or indemnity under the laws of any Federal, state or local government taxing authority in the United States, or under the laws of any taxing authority or governmental sub-division of a foreign country; provided, however, that if Lessor realizes a tax benefit by reason of such payment or indemnity (whether such tax benefit shall be by means of investment tax credit, depreciation deduction or otherwise), Lessor shall pay Lessee an amount equal to the sum of such tax benefit plus any tax benefit realized as the result of any payment made pursuant to this proviso, when, as, if and to the extent realized; but not before Lessee shall have made all payments or indemnities required pursuant to this Section 14(a). In the event any report or return is required to be made with respect to any such payment or indemnity under this Section 14(a) or arising hereunder, Lessee will either make such report or return in such manner as will show the ownership of the Equipment in Lessor and send a copy of such report or return to Lessor, or will notify Lessor of such requirement and make such report or return in such manner as shall be reasonably satisfactory to Lessor. All payments or indemnities under this Section 14(a) shall be payable, to the extent not theretofore paid, on written demand by Lessor. All indemnities contained in this Section 14(a) shall continue in full force and effect notwithstanding the expiration or other termination of the Term as to any or all of the Units and are expressly made for the benefit of and shall be enforceable by, Lessor.

Provided, however, that there shall be excluded from the operation and effect of the foregoing paragraph taxes, fees or other charges on, based on or measured by the net income of Lessor, imposed by: (i) the United States of America, (ii) all other jurisdictions up to the sum of (A) the amount of such taxes, fees or other charges which would be payable to the State of Maryland if there were no apportionment to any other taxing jurisdiction, plus (B) the amount of such taxes, fees or other charges which are allowed as a credit against taxes, fees or other charges imposed by the United States of America for the current or other prior period after taking into account any applicable limitation on the aggregate of such credit and assuming that all other taxes, fees or other charges of Lessor for the same or prior periods which qualify for such credit are first allowed; (iii) any jurisdiction other than the State of Maryland in which Lessor is subject to taxes, fees or other charges as a result solely of business transactions unrelated to this Lease, and (iv) taxes, fees, or other charges on or based on or measured by any fees or compensation received by Lessor for services rendered in connection with the transactions contemplated hereby. Notwithstanding the foregoing exceptions to Lessee's indemnity obligation, Lessee agrees to pay any such taxes on or measured by Rent payable hereunder or the net income therefrom which are in substitution for or relieve Lessee from any tax which Lessee would otherwise be obligated to pay under the terms of this Section 14(a).

(b) Special Tax Indemnity. Lessor, as the owner of the Units, shall be entitled to such deductions, credits and other benefits as are provided by the Code to an owner of property (the "Tax Benefits"), including, without limitation, the maximum depreciation deduction with respect to the Units authorized under Section 167 of the Code utilizing the "asset depreciation range" of twelve (12) years for the Units prescribed in accordance with Section 167(m) of the Code, for an asset described in Asset Guideline Class No. 00.25 as described in Revenue Procedure 72-10, 1972-1 Cum. Bull. 721, employing the double-declining-balance method of depreciation switching to the sum-of-the-years' digits method of depreciation when most beneficial to Lessor, utilizing the half-year convention as provided in Regulation 1.167(a)-11(c) (2) to an estimated gross salvage value of 10% of Lessor's Cost reduced by 10% of Lessor's Cost as provided in Section 167(f) of the Code (such deduction being herein called the ADR Deduction).

Notwithstanding anything contained herein to the contrary, Lessor agrees that it will in accordance with Section 48(d) of the Code and the regulations thereunder make a timely election to treat Lessee as having acquired the Units for purposes of the investment credit provided by Section 38 and related Sections of the Code so that Lessee may receive the benefit of such investment credit to the extent that it is available. Lessee shall be solely responsible for the preparation and filing of all documents necessary to effect such election. Lessor makes no representation or warranty whatsoever to Lessee with respect to the existence or availability of such investment credit with respect to any of the Units, except that it shall have taken no action which would be inconsistent with that election.

Lessee agrees that neither it nor any corporation controlled by it, in control of it, or under common control with it, directly or indirectly will at any time take any action or file any returns or other documents inconsistent with the foregoing or with Section 5(b) (x) and (xi) hereof and that each of such corporations will file such returns, take such actions, execute such documents, and maintain sufficient records as may be reasonable and necessary to facilitate accomplishment of the foregoing. Upon request of Lessor, Lessee will provide to Lessor written reports verifying and establishing the compliance of Lessee with this Section 14(b).

(aa) If Lessor, for any taxable year (or portion thereof) during the Term of this Lease shall under any circumstances other than as set forth in paragraph (bb) below lose the benefit of or the right to claim or there shall be disallowed or recaptured all or any portion of the ADR Deduction, then Lessee

shall pay Lessor on each Basic Rent Payment Date during the remaining Term of this Lease, as Supplemental Rent hereunder, an amount which after deduction of all taxes required to be paid by Lessor in respect of the receipt of such amount under the laws of any Federal, state or local government or taxing authority in the United States, or under the laws of any taxing authority or governmental subdivision of a foreign country, shall be sufficient to provide Lessor with the same after-tax net return (computed on the same assumptions and methods as those utilized by Lessor in originally evaluating this transaction) as would have been realized by Lessor in respect of this Lease if such loss, disallowance or recapture of the ADR Deduction or the right to claim the same had not occurred, which amount shall, if subsequent circumstances require, be thereafter adjusted (or further appropriate adjustments shall be made in respect thereof) when and to the extent necessary so that Lessor's return shall be as aforesaid. In addition, Lessee shall also pay Lessor, upon demand, as Supplemental Rent hereunder, an amount which, after deduction of all taxes required to be paid by Lessor in respect of the receipt of such sum under the laws of any Federal, state or local government or taxing authority in the United States, or under the laws of any taxing authority or governmental subdivision of a foreign country, shall be equal to the amount of any interest (net of any actual decrease in Federal income tax caused by any allowable deduction of such interest from taxable income) or penalties, including any additions to tax because of underpayment of estimated tax, which may be assessed against Lessor in connection with such loss, disallowance, or recapture of the ADR Deduction or the right to claim the same.

(bb) Lessee shall not be required to pay Lessor the amounts provided for in paragraph (aa) above if the loss or disallowance shall result from the occurrence of any of the following events:

(i) Lessor shall fail to claim the ADR Deduction in its income tax returns for the appropriate years or shall fail to follow the proper procedures in claiming the ADR Deduction, and such failure to claim or follow such procedures, shall preclude Lessor from claiming the ADR Deduction;

(ii) Lessor shall not have sufficient taxable income to benefit from the ADR Deduction;

(iii) At any time when no Event of Default shall have occurred and be continuing, without the written consent of Lessee, Lessor shall voluntarily or involuntarily transfer legal title to the Equipment to any person (other than a transfer pursuant to Sections 11 or 12 hereof), or Lessor shall dispose of or reduce its interest in the Equipment, and such transfer, disposition or reduction in interest shall be the direct cause of such loss;

(iv) Lessor shall fail to take timely action in contesting a claim made by the Internal Revenue Service with respect to the disallowance of the ADR Deduction, pursuant to paragraph (cc) below and the failure to take such action in a timely manner shall preclude all rights to contest such claim, unless Lessee shall agree to such failure;

(v) Lessee shall have paid Lessor the Termination Value for the Equipment pursuant to Sections 11 or 12 hereof; and

(vi) The Code shall be amended to change the maximum Federal corporate income tax rate.

(cc) In the event a claim shall be made by the Internal Revenue Service which, if successful, would result in a loss as to Lessor of the ADR Deduction, under the circumstances which would require Lessee to indemnify Lessor for such loss, Lessor hereby agrees to notify Lessee promptly of such claim; to forbear payment of the tax claimed for at least thirty (30) days after giving such notice, to give Lessee any relevant information requested by Lessee relating to such claim which may be particularly within the knowledge of Lessor, and if

Lessee shall, within thirty (30) days after such notice, request that such claim be contested, to take such action in connection with contesting such claim and in such forum as Lessee shall reasonably request in writing from time to time, but only if Lessee shall, contemporaneously with such initial request, have (i) made provision for Lessor's indemnification in a manner reasonably satisfactory to Lessor for any liability or loss which Lessor may from time to time incur as the result of contesting such claim and reimbursement for all costs and expenses, including (without limitation) reasonable legal fees and expenses, which Lessor may incur in connection with contesting such claim and (ii) furnished Lessor with an opinion of independent tax counsel, satisfactory to Lessor, to the effect that a meritorious defense exists to such claim, provided, however, that at any time after having received such request from Lessee, Lessor, at its sole option, may forego any and all administrative appeals, proceedings, hearings and conferences with the Internal Revenue Service in respect of such claim if Lessor either pays the tax claimed and sues for a refund in the appropriate United States District Court or in the United States Court of Claims, as Lessor shall elect, or contests such claim in the United States Tax Court, considering, however, in good faith such request as Lessee shall make concerning the most appropriate forum in which to proceed; provided further, however, that if Lessor elects to so pay the tax claimed and sue for a refund, no Supplemental Rent shall be payable in respect thereof pursuant to Section 14(b)(aa) hereof unless and until such District Court or Court of Claims, as the case may be, renders final judgment against Lessor. *m.f.* The payment of Supplemental Rent by Lessee pursuant to the second proviso to the immediately preceding sentence shall be without prejudice to Lessee's rights, subject to the provisions of this paragraph (cc), to compel Lessor to appeal the final judgment giving rise to the obligation to pay of such Supplemental Rent. Lessee agrees to consider in good faith any suggestions made by Lessor and Lessor's counsel in connection with any action to be taken by Lessor pursuant to this paragraph (cc).

References in this Section 14(b) to Lessor shall be deemed to include any affiliated group of which Lessor is a part which files a consolidated return for Federal income tax purposes. All the indemnities contained in this Section 14(b) shall continue in full force and effect notwithstanding the expiration or other termination of the Term of this Lease as to any or all of the Units and are expressly made for the benefit of, and shall be enforceable by, Lessor. *m.f. su*

(c) Rent Adjustments. If, due to a change to the Federal income tax law, including the Code and the Regulations thereunder (other than any change in the corporate income tax rates), Lessor shall obtain Federal income tax benefits which are in excess of the Tax Benefits allowable as of the date hereof and Lessor shall have sufficient income to utilize such additional benefits, then Basic Rent and, if necessary, Interim Rent shall be reduced in a manner analogous to the manner described in Section 14(b)(aa) above. The amount of such reduction shall be such that, after giving effect to the amount of such reduction and the increase in such tax benefits, and any reduction in taxes required to be paid by Lessor in respect of receipt of such Rent payments under the laws of any Federal, state or local government or taxing authority in the United States, or under the laws of any taxing authority or governmental subdivision of a foreign country, Lessor's after-tax net return (computed on the same assumptions and methods as those utilized by Lessor in originally evaluating this transaction) shall not be increased or decreased by such change.

(d) Certain Determinations. The amount of any increase or decrease in Basic Rent or Interim Rent pursuant to Section 14(b)(aa) or 14(c) hereof, as the case may be, shall be determined in the reasonable opinion of Lessor or, in the event that Lessee objects within fifteen days to Lessor's determination, in the reasonable opinion of the nationally-recognized firm of certified public accountants with whom the "Runs," as defined below, are deposited. In order to enable the certified public accountants referred to in the preceding sentence to determine the assumptions and methods utilized by Lessor in originally evaluating this transaction Lessor shall, on the first Delivery Date, deposit the computer print-

outs used by Lessor in evaluating this transaction (the "Runs") with a nationally-recognized firm of certified public accountants selected by Lessor with notice to Lessee. The Runs are to be used by such certified public accountants only as described in this Section 14(d).

Section 15. Insurance.

(a) Loss or Damage to Units. Lessee will, without any cost or expense to Lessor, maintain or cause to be maintained in effect during the Term of this Lease, with insurers of recognized responsibility, insurance on each Unit against physical loss and damage by fire, explosion and such other risks, in coverage and amounts, as the Lessee would, in the prudent management of its properties, maintain or cause to be maintained with respect to similar property owned or operated by Lessee, but in no event shall the amount of coverage with respect to any Unit be less than the Termination Value of such Unit. All such insurance shall provide for at least thirty (30) days' prior written notice to Lessor of cancellation or reduction of coverage and shall name Lessor as owner of the Equipment as a loss payee, if practicable, or an additional insured. At Lessor's request, Lessee will promptly make available to Lessor certificates or other evidence of insurance reasonably satisfactory to Lessor of Lessee's compliance with this Section 15(a). In furtherance of the provisions of this Section 15 Lessee hereby assigns all proceeds of said insurance to Lessor, its successors and assigns, and hereby irrevocably appoints Lessor as Lessee's attorney-in-fact to make claims, receive payments and execute and endorse all documents, checks and drafts for payment of loss or damage under any such insurance policy (ies.).

With respect to proceeds received under such policies, it is agreed as between Lessor and Lessee that:

(i) In the case of all insurance proceeds received as the result of the occurrence of an Event of Loss with respect to any Unit occurring on or after the Delivery Date thereof, so much of such proceeds as shall not exceed the sum of the Termination Value of such Unit required to be paid by Lessee pursuant to Section 12 hereof, and any other Rent then due and owing by Lessee hereunder with respect to such Unit shall be applied, first, in reduction of Lessee's obligation to pay such other Rent, if any, then due and owing and, second, in reduction of Lessee's obligation to pay such Termination Value if not already paid by Lessee, or if already paid by Lessee and provided no Event of Default (or any event which after lapse of time or the giving of notice or both would become an Event of Default) shall have occurred and be continuing, to reimburse Lessee for its payment of such Termination Value; and the balance, if any, of such proceeds remaining thereafter shall be paid over to, or retained by, Lessee provided no Event of Default (or any event which after lapse of time or the giving of notice or both would become an Event of Default) shall have occurred and be continuing; and

(ii) The proceeds of any insurance for damage to any Unit not constituting an Event of Loss shall be applied in payment for the repair of such damage to the extent required to maintain the Unit in respect of which such proceeds were paid in accordance with Sections 6 and 7 hereof, if such repair shall not have already been paid for by Lessee, and any balance remaining after compliance with said Sections 6 and 7 shall be paid over to, or retained by Lessee, provided no Event of Default (or any event which after lapse of time or the giving of notice would become an Event of Default) shall have occurred and be continuing.

Any amount referred to in clause (i) or (ii) of this subparagraph (a) not payable to Lessee because at the time of such payment an Event of Default (or any event which after lapse of time or the giving of notice or both would become an Event of Default) shall have occurred and be continuing, shall be held by Lessor as security for the obligations of Lessee under this Lease, and at such

time as there shall not be continuing any such Event of Default (or event which after lapse of time or the giving of notice or both would become an Event of Default), such amount shall be paid to Lessee.

(b) Third Party Public Liability and Property Damage. Lessee will procure and maintain or cause to be maintained at its own expense during the Term of this Lease with respect to each Unit with insurers satisfactory to Lessor bodily injury and third party property damage insurance with liability limits not less than those specified in Exhibit E hereto. The policies for such insurance shall (i) name Lessor as owner and Lessee as insureds, as their respective interests may appear, (ii) provide that if the insurers cancel such insurance for any reason whatsoever, or the same is allowed to lapse for non-payment of premiums, such cancellation or lapse shall not be effective as to Lessor for thirty (30) days after receipt by Lessor of written notice by the insurers to Lessor of such cancellation or lapse, (iii) provide for at least thirty (30) days' prior written notice to Lessor of any alteration in the terms of such policy adverse to the respective interests of Lessor or Lessee, and (iv) provide that in respect of the interests of Lessor in such policies, the insurance shall not be invalidated by any action or inaction of Lessee or of any person other than of Lessor and shall insure Lessor's interests as they appear regardless of any breach or violation by Lessee or by any person other than Lessor of any warranties, declarations or conditions contained in such policies.

(c) Reports, etc. On or before the Delivery Date with respect to any Unit and thereafter upon the expiration date of each policy of such insurance, Lessee shall furnish to Lessor a certificate signed by Marsh & McLennan or another firm of independent insurance brokers, appointed by Lessee and not objected to by Lessor, showing the insurance then maintained by Lessee with respect to such Unit (and the expiration date of each policy of such insurance) and stating the opinion of said firm that the insurance then carried and maintained on or with respect to such Unit complies with the terms hereof. Lessee will cause such firm to advise Lessor in writing promptly of any default in the payment of any premium and of any other act or omission on the part of Lessee of which the firm has knowledge and which might invalidate or render unenforceable, in whole or in part, any insurance on or with respect to any Unit. Lessee will also cause such firm to advise Lessor in writing at least thirty (30) days prior to the cancellation, expiration or termination date of any insurance carried and maintained on or with respect to any Unit pursuant to this Section 15. In the event that Lessee shall fail to maintain insurance as herein provided, Lessor may at its option provide such insurance, and, in such event, Lessee shall, upon demand, reimburse Lessor for the cost thereof, together with interest thereon pursuant to Section 21 hereof.

Section 16. Affirmative Covenants; Accounting and Reports.

Lessee covenants and agrees that from the date hereof until final termination of this Lease, unless Lessor otherwise agrees in writing, it shall;

(a) Pay, when due, all taxes and other governmental charges assessed against it or its property, wherever located, prior to the date on which penalties attach thereto, except to the extent and so long as the same are contested in good faith (and for the payment of which adequate reserves have been provided) and do not constitute a Lien on the properties of Lessee;

(b) Furnish to Lessor:

(i) As soon as available but in any event within one hundred twenty (120) days after the end of each fiscal year of Lessee, a consolidated balance sheet of Lessee and its subsidiaries as of the end of such fiscal year and related consolidated statements of income, shareholders' equity and changes in financial position of Lessee and its subsidiaries for such fiscal year, all in

reasonable detail, prepared in accordance with generally accepted accounting principles applied on a basis consistently maintained throughout the period involved and certified by nationally recognized independent public accountants selected by Lessee;

(ii) As soon as available but in any event not later than sixty (60) days after the end of each of the first three quarterly periods of each fiscal year of the Lessee, a consolidated balance sheet of Lessee and its subsidiaries as of the end of such quarterly period and related consolidated statements of income, shareholders' equity and changes in financial position of Lessee and its subsidiaries for such quarterly period all in reasonable detail, prepared in accordance with generally accepted accounting principles applied on a basis consistently maintained throughout the period involved, and certified by the President or the Vice President-Finance of Lessee;

(iii) Concurrently with the delivery of the consolidated financial statements referred to in clause (i) above, a certificate of the independent public accountants who certified such statements, stating that in making the examination necessary for the audit of such consolidated financial statements they obtained no knowledge of the existence during the fiscal year under audit of any condition, event, or act which constitutes an Event of Default, as defined herein, or if they obtained knowledge of the existence of any such condition, event, or act, specifying the same;

(iv) Concurrently with the delivery of the consolidated financial statements referred to in clause (ii) above, a certificate of the President or the Vice President-Finance of Lessee stating that a review of the activities of Lessee and its subsidiaries during such quarterly period has been made under his supervision with a view to determining whether Lessee has observed, performed, and fulfilled all of its obligations, covenants and agreements under this Lease and that Lessee has observed, performed and fulfilled each and every obligation, covenant and agreement contained in this Lease and such review has not disclosed the existence during such quarterly period, nor does the signer have knowledge of the existence as of the date of such certificate, of any condition or event which constitute an Event of Default (or an event which, after lapse of time or the giving of notice, or both, would constitute an Event of Default), or if any such Event of Default or other event shall have occurred, specifying the same;

(v) Promptly after the same are available, copies of all press releases and of all regular and periodic reports mailed to stockholders generally and/or filed by Lessee with the Securities and Exchange Commission; and

(vi) Promptly, from time to time, such other information regarding the operations, business affairs and financial condition of Lessee or any of its subsidiaries as Lessor may reasonably request.

(c) Use, operate or maintain or permit the use, operation or maintenance, directly, through a sublease or assignment of this Lease, or otherwise, of any Unit only within the boundaries of the continental United States, except for use and maintenance outside the United States which is not regular and continuous.

Section 17. Events of Default. The following events shall constitute Events of Default (whether any such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) Lessee shall fail to make any payment of Rent within ten (10) days after the same shall have become due; or

(b) Lessee shall fail to carry or maintain the insurance as required by Section 15 hereof; or

(c) Lessee shall make or permit any unauthorized assignment or transfer of its rights under this Lease or of possession of the Equipment or any Unit; or

(d) Lessee shall fail to perform or observe any other covenant, condition or agreement to be performed or observed by it hereunder, and such failure shall continue unremedied for a period of fifteen (15) days after written notice thereof by Lessor; or

(e) Any representation or warranty made by Lessee hereunder or in any document or certificate to which Lessee is a party furnished to Lessor in connection herewith or pursuant hereto or thereto shall have been proven to be false, materially misleading, or incorrect when made; or

(f) Default shall occur in respect of any indebtedness exceeding \$250,000. in the aggregate of Lessee or any material subsidiary of Lessee (i) under any agreement under which any such indebtedness may be issued or secured, or (ii) under any equipment lease under which Lessee is the lessee, and such default shall result in such indebtedness becoming or being declared due and payable or shall result in such equipment lease being declared in default, as the case may be; or

(g) (i) Lessee shall consent to the appointment of a receiver, trustee or liquidator of itself or of a substantial part of its property, or shall admit in writing its inability to pay its debts generally as they come due, or shall make a general assignment for the benefit of creditors; or

(ii) Lessee shall file a voluntary petition in bankruptcy or a voluntary petition or an answer seeking reorganization in a proceeding under any bankruptcy laws (as now or hereafter in effect) or an answer admitting the material allegations of a petition filed against Lessee in any such proceeding, or Lessee shall by voluntary petition, answer or consent to or seek relief under the provisions of any other now existing or future bankruptcy or other similar law (other than a law which does not provide for or permit the readjustment or alteration of Lessee's obligations hereunder) providing for the reorganization or winding-up of corporations, or providing for an agreement, composition, extension or adjustment with its creditors; or

(iii) An order, judgment or decree shall be entered in any proceeding by any court of competent jurisdiction appointing, without the consent of Lessee, a receiver, trustee or liquidator of Lessee or of any substantial part of its property, or sequestering any substantial part of the property of Lessee, and any such order, judgment or decree of appointment or sequestration shall remain in force undismissed, unstayed or unvacated for a period of sixty (60) days after the date of entry thereof; or

(iv) A petition against Lessee in a proceeding under the Federal bankruptcy laws or other insolvency laws (other than any law which does not provide for or permit any readjustment or alteration of Lessee's obligations hereunder in each case) as now or hereafter in effect, shall be filed and shall not be withdrawn or dismissed within sixty (60) days thereafter, or if, under the provisions of any law (other than any law which does not provide for or permit any readjustment or alteration of Lessee's obligations hereunder in each case) providing for reorganization or winding-up of corporations which may apply to Lessee, any court of competent jurisdiction shall assume jurisdiction, custody or control of Lessee or of any substantial part of its property, and such jurisdiction, custody or control shall remain in force unrelinquished, unstayed or unterminated for a period of sixty (60) days; or

(h) Judgment for the payment of money in excess of \$250,000. shall be rendered against Lessee and the same shall remain undischarged for a period of sixty (60) days unless such judgment shall be fully covered by insurance, or execution of such judgment shall be effectively stayed; or an attachment or attachments shall be levied against any of the property of Lessee for an amount in excess of \$250,000. in the aggregate, and shall remain undischarged or unbonded for a period of sixty (60) days.

Section 18. Remedies. Upon the occurrence of any Event of Default, and at any time thereafter so long as the same shall be continuing, Lessor may, at its option, declare this Lease to be in default; and at any time thereafter, Lessor may do one or more of the following with respect to the Equipment or any Unit as Lessor in its sole discretion shall elect, to the extent permitted by, and subject to compliance with any mandatory requirements of, applicable law then in effect:

(a) Demand that Lessee, and Lessee shall upon the written demand of Lessor, promptly relinquish possession to Lessor of the Equipment or such Unit or Units as Lessor may demand, in the manner and condition required by, and otherwise in accordance with all the provisions of, Section 10(a) hereof as if such Equipment or Unit or Units were being returned upon expiration of the Term of this Lease with respect thereto;

(b) Sell the Equipment or any Unit or Units at public or private sale, as Lessor may determine, or otherwise dispose of, hold, use, operate, lease to others or keep idle such Equipment or such Unit or Units as Lessor in its sole discretion may determine, all free and clear of any rights of Lessee and/or of any rights of the holders of Liens on such Equipment or Unit or Units and without any duty to account to Lessee with respect to such action or inaction or for any proceeds with respect thereto;

(c) Whether or not Lessor shall have exercised, or shall thereafter at any time exercise, any of its rights under paragraph (a) or (b) above, Lessor, by written notice to Lessee specifying a payment date (herein called "Default Payment Date") which shall be the next Basic Rent Payment Date occurring after the date of such notice, may demand that Lessee pay to Lessor, and Lessee shall pay to Lessor, on the Default Payment Date, as liquidated damages for loss of a bargain and not as a penalty, all unpaid Rent payable on or prior to such Default Payment Date with respect to such Unit or Units as to which Lessor is exercising its rights under this paragraph (c), plus whichever of the following amounts Lessor, in its sole discretion, shall specify in such notice (together with interest, to the extent permitted by applicable law, on such amount at the rate of 12% per annum, computed on the basis of a 360-day year of twelve (12) thirty (30) day months, from the Default Payment Date to the date of actual payment):

(i) An amount equal to the excess of the Termination Value of such Unit or Units computed as of the Default Payment Date, over the fair market rental value (computed as hereafter provided in this Section 18) of such Unit or Units for the remainder of the Term thereof after discounting such fair market rental quarterly to present worth as of the Default Payment Date at the rate of 9.75% per annum; or

(ii) An amount equal to the excess, if any, of the Termination Value of such Unit or Units computed as of the Default Payment Date, over the fair market value of such Unit or Units (computed as hereafter provided in this Section 18) as of the Default Payment Date;

(d) If Lessor shall have sold the Equipment or any Unit or Units pursuant to paragraph (b) above, Lessor, in lieu of exercising its rights under paragraph (c) above, shall demand that Lessee pay to Lessor, and Lessee shall pay to Lessor, as liquidated damages for loss of a bargain and not as a penalty, with

respect to such Equipment or Unit or Units any unpaid Rent accrued through the Basic Rent Payment Date next preceding the date of such sale plus the amount of any deficiency between the net proceeds of such sale and the Termination Value, computed as of the Basic Rent Payment Date next following the date of such sale together with interest at the rate of 12% per annum, or such other maximum amount permitted by applicable law, computed on the basis of a 360-day year of twelve 30-day months, on the amount of such deficiency from the date as of which such Termination Value is computed until the date of actual payment; and/or

(e) Lessor may terminate the Lease with respect to the Equipment or any Unit or Units and may exercise any other rights or remedies which may be available to it under applicable law and proceed by appropriate proceedings at law or in equity, by summary proceedings or otherwise, to enforce the terms hereof, to recover damages for the breach hereof, to rescind this Lease, or to obtain any other available remedy. Termination of the Lease by Lessor pursuant to this paragraph (e) shall in no way be deemed a release or a waiver by Lessor of Lessee's obligations to pay the sums provided to be paid by Lessee under this Section 18.

In addition, Lessee shall be liable, except as otherwise provided above, for any and all unpaid Rent due hereunder before or during the exercise of any of the foregoing remedies and for all legal fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of possession of any Unit to Lessor in accordance with Section 10(a) hereof or in placing any Unit in the condition required by said Section.

For the purpose of paragraph (c) above, the "fair market rental value" *m.f.v.* or the "fair market value" of any Unit shall be determined on the basis of an appraisal conducted in accordance with the procedure set forth in Section 10(c)(ii) and (iii) hereof.

At any public sale of any Unit pursuant to this Section 18, Lessor may bid for and purchase such Unit.

Except as otherwise expressly provided above, no remedy referred to in this Section 18 is intended to be exclusive, but each shall be cumulative and in addition to any other remedy referred to above or otherwise available to Lessor at law or in equity; and the exercise, or the beginning of the exercise, by Lessor of any one or more of such remedies shall not preclude the simultaneous or later exercise by Lessor of any or all of such other remedies. No express or implied waiver by Lessor of any Event of Default shall in any way be, or be construed to be, a waiver of any future or subsequent Event of Default. To the extent permitted by applicable law, Lessee hereby waives any rights now or hereafter conferred by statute or otherwise which may require Lessor to sell, lease or otherwise use any Unit in mitigation of Lessor's damages as set forth in this Section 18 or which may otherwise limit or modify any of Lessor's rights and remedies in this Section 18. *m.f.v.*

Section 19. General Indemnification and Expenses. Lessee hereby agrees, whether or not any of the transactions contemplated by this Lease shall be consummated, to assume liability for, and does hereby agree to indemnify, protect, save and keep harmless Lessor, its successors, assigns, agents and servants, from and against any and all liabilities, obligations, losses, damages, fines, penalties, claims, actions, suits, costs, expenses and disbursements, including legal fees and expenses of whatsoever kind and nature (for the purposes of this Section 19 all collectively called "Expenses"), imposed on, incurred by or asserted against Lessor, or any of its successors, assigns, agents or servants, (whether or not Lessor or any person indemnified hereby is also indemnified by any other person under any other document) in any way resulting from or caused by

the breach or nonperformance of any of Lessee's covenants, undertakings or obligations contained in, or the failure or inaccuracy of any warranty or representation made by Lessee in, or in any other way related to or arising out of, this Lease, or any other document or instrument related to or contemplated by any of the foregoing, and any transaction or occurrence contemplated thereby or related thereto, including, but not limited to, the manufacture, construction, rehabilitation, purchase, acceptance, non-acceptance, rejection, ownership, delivery, non-delivery, lease, sublease, dedication, possession, use, operation, condition, sale, release, return or other disposition of any or all of the Units (including, without limitation, latent and other defects, whether or not discoverable by Lessor or Lessee, and any claim for patent or trademark infringement); except only that Lessee shall not be required to indemnify Lessor, its successors, assigns, agents and servants for (i) Expenses to be borne pursuant to the express provisions hereof by the party otherwise to be indemnified hereunder, (ii) Expenses described in Section 14 hereof (except to the extent indemnification is provided for in said Section), or (iii) Expenses resulting from the willful misconduct or negligence of the party otherwise to be indemnified hereunder. Any payment made by Lessee hereunder shall be in an amount which, after taking into account all taxes imposed upon the recipient thereof by reason of the receipt thereof under the laws of any taxing authority shall be equal to the amount which Lessee shall then be obligated to pay such recipient under this Section 19; provided, however, that any such reimbursement shall be reduced by an amount equal to the reduction in taxes resulting from the deduction by the indemnified person of the liabilities or payments with respect to which such reimbursement is made. If either party hereto shall have knowledge of any claim or liability hereby indemnified against, it shall give prompt written notice thereof to the other party, but the failure on the part of any person to give prompt written notice to Lessee shall not release Lessee from its indemnity obligations under this Section 19. The indemnities contained in this Section 19 shall continue in full force and effect notwithstanding the expiration or other termination of this Lease Agreement, and, except as otherwise provided herein, are expressly made for the benefit of, and shall be enforceable by, Lessor, and its successors, assigns, servants and agents.

Section 20. Assignment or Sublease.

(a) Without the prior written consent of Lessor, not to be unreasonably withheld, Lessee will not assign any of its rights hereunder or, except as provided in this Section 20, otherwise permit the Equipment or any Unit to be operated or used by, or in the possession of, anyone other than Lessee, provided, however, that Lessee or any permitted sublessee pursuant to Section 20(f) hereof may, so long as no Event of Default shall have occurred and be continuing, furnish any Unit or Units to railroad companies for use over lines of railroad owned or operated by them or over which they have trackage rights and upon connecting and other carriers in the usual interchange of traffic, or to persons other than railroad companies for use in their business.

(b) As additional security for the payment and performance of all obligations of Lessee to Lessor under this Lease Agreement, Lessee hereby assigns to Lessor all of Lessee's rights, title and interest in and to all presently existing and future chattel paper covering one or more of the Units, including without limitation, subleases, rental agreements, utilization agreements, and all accounts and proceeds (whether or not in the form of cash or instruments) for the payment of such chattel paper, but only to the extent that the same arise out of, derive from or relate to the Units. Each such assignment shall be evidenced by the execution and delivery to Lessor of a Sublease Assignment.

(c) Lessor may at any time and from time to time, assign this Lease, the Rents and other sums at any time due and to become due or at any time owing or payable, by Lessee to Lessor under any of the provisions of this Lease. Any such assignment shall be in respect of this Lease and/or the Rents and other sums due and to become due in respect of the Equipment, and may be either absolute or

as collateral security for indebtedness of Lessor incurred in connection with the acquisition of the Equipment.

(d) No such assignee for collateral purposes under the immediately preceding Section 20(c) shall be obligated to perform any duty, covenant or condition required to be performed by Lessor under any of the terms hereof, but Lessee, by its execution hereof, acknowledges and agrees that notwithstanding any such assignment each and all such covenants, agreements, representations and warranties of Lessor shall survive any such assignment and shall be and remain the sole liability of Lessor and of every person, firm or corporation succeeding (by merger, consolidation, purchase of assets or otherwise) to all or substantially all of the business assets or goodwill of Lessor. Without limiting the foregoing, Lessee further acknowledges and agrees that from and after the receipt by Lessee of written notice of an assignment from Lessor or an assignee thereof; (i) all sums which are the subject matter of the assignment shall be paid to the assignee thereof at the place of payment designated in the notice, and (ii) if such assignment was made for collateral purposes, the rights of any such assignee in and to such sums payable by Lessee under any provisions of this Lease shall be absolute and unconditional and shall not be subject to any abatement whatsoever, or to any defense, set-off, counterclaim or recoupment whatsoever by reason of any damage to or loss or destruction of the Equipment (except as otherwise provided in Section 12) or by reason of any defect in or failure of title of Lessor to the Equipment or any interruption from whatsoever cause (other than from the wrongful act of such assignee) in the use, operation or possession of the Equipment or by reason of any indebtedness or liability howsoever and whenever arising of Lessor to Lessee or to any other person, firm, corporation or governmental agency or taxing authority or for any other reason.

(e) This Lease shall be subject to and subordinate to the rights of such assignee for collateral purposes; provided that so long as no Event of Default under the terms of this Lease shall have occurred and be continuing, Lessee shall not be disturbed in its possession, use, management, operation and enjoyment of the Equipment or any Unit by virtue of any action taken with respect to any such collateral assignment.

(f) Lessee has subleased 50 of the Units to Ashley, Drew & Northern Railway Company pursuant to a Lease Agreement dated as of February 23, 1978 as amended by Amendment No. 1 dated as of April 28, 1978 and has subleased 50 of the Units to Oregon and Northwestern Railroad Company pursuant to a Lease Agreement dated as of March 1, 1978 (together the "Subleases"). Provided that no Event of Default or event which with the giving of notice or passage of time or both would constitute an Event of Default shall have occurred and be continuing, Lessee may terminate the Subleases for any reason consistent with the terms thereof and may sublease any of the Units to any other railroad incorporated under the laws of any State of the United States of America or the District of Columbia, but no such sublease shall be effective until Lessee shall have delivered to Lessor evidence that such sublease and an assignment thereof substantially in the form of Exhibit F hereto have been filed with the Interstate Commerce Commission. Each such sublease shall expressly provide that it is subordinate to this Lease and the sublessee's rights thereunder are subject to all the terms and conditions hereof.

Section 21. Lessor's Right to Perform for Lessee. If Lessee fails to make any payment of Supplemental Rent required to be made by it hereunder or fails to perform or comply with any of its agreements contained herein, Lessor may itself make such payment or perform or comply with such agreement, and the amount of such payment and the amount of the expenses of Lessor incurred in connection with such payment for the performance of or compliance with such agreement, as the case may be, together with interest thereon, at the rate of 12% per annum, or such other maximum amount permitted by applicable law, computed on the basis of a 360-day year of twelve 30-day months, shall be deemed Supplemental Rent, payable by Lessee to Lessor upon demand.

Section 22. Recording. Promptly following the execution of this Lease and in any event prior to the delivery and acceptance hereunder of any Units, without expense to Lessor, Lessee, at the request of Lessor, will cause all UCC financing statements and all other documents and instruments which Lessor reasonably deems necessary to create and perfect any security interests in the Equipment in favor of any assignee of this Lease for collateral purposes to be filed in all necessary places as reasonably required by Lessor. At the written request of Lessor, Lessee will further duly file and record as aforesaid continuation statements with respect to all such UCC filings and re-file or re-record any of the foregoing as Lessor requires. Lessee will promptly furnish to Lessor certificates or other evidence of such filing and recording. In addition, Lessee shall do and perform any other act and will execute, acknowledge, deliver, file, register, deposit and record any and all further instruments reasonably requested by Lessor (including any instruments required by law) for the purpose of the proper protection (to the satisfaction of Lessor and its counsel) of its title to and interest in the Equipment or any Unit and its right under this Lease or for the purpose of carrying out the intention of the Lease. Lessee shall promptly furnish to Lessor evidences of any of the foregoing.

Section 23. Notices. All notices required to be given hereunder shall be in writing and shall be deemed to have been given when deposited in the United States mails, registered or certified postage prepaid, addressed as follows:

(a) If to Lessor, to it at First Maryland Leasecorp, Post Office Box 1596, 25 South Charles Street, Baltimore, Maryland 21203, Attention: Maurice E. Moore, Financial Officer;

(b) If to Lessee, to it c/o Brae Corporation, Three Embarcadero Center, San Francisco, California 94111, Attention: Lawrence W. Briscoe, Vice President-Finance, or to such other address as any such party shall designate by written notice given to the other such parties.

Section 24. Conditions to Lessor's Obligations. Lessor shall not be obligated to make payment for any Unit of Equipment hereunder unless at the date such payment is requested by Lessee:

(a) All of Lessee's representations and warranties in Section 5(b) of this Lease Agreement shall be true and correct as though made as of such date;

(b) No Event of Default or event which with the giving of notice or passage of time or both would be an Event of Default, shall have occurred or be continuing hereunder;

(c) Lessee shall have furnished to Lessor, in form and substance satisfactory to Lessor, the following documents on or prior to the Delivery Date of first Units pursuant to Section 2 hereof:

(i) Resolutions of the Board of Directors of Lessee, certified by its Secretary or an Assistant Secretary, authorizing the lease of such Equipment hereunder and the execution, delivery and performance by Lessee of this Lease Agreement;

(ii) An assignment of purchase agreement, pursuant to which Lessee assigns to Lessor all of Lessee's rights under its purchase orders with each vendor of the Units specified on Schedule I hereto ("Assignments");

(iii) A favorable opinion of Messrs. Heller, Ehrman, White & McAuliffe, counsel for Lessee, to the effect that:

(A) Lessee is a corporation duly organized and existing in good standing under the laws of Delaware;

(B) Lessee is duly authorized to execute and deliver this Lease Agreement, the Assignments and the Sublease Assignments relating to the Subleases, and is duly authorized to lease Equipment hereunder and to perform its obligations hereunder and thereunder;

(C) The execution and delivery of this Lease Agreement^{the Assignments} and the Sublease Assignments relating to the Subleases by Lessee, and the performance by Lessee of its obligations hereunder and thereunder, do not and will not conflict with any provision of law or of the charter or by-laws of Lessee or to the knowledge of such counsel of any indenture, mortgage, deed of trust or agreement or instrument binding upon Lessee or to which Lessee is a party;

(D) The execution, delivery and performance of this Lease Agreement by Lessee and the consummation by Lessee of the transaction contemplated hereby do not require the consent, approval or authorization of, or notice to, any Federal or State governmental authority or public regulatory body; however, this Lease Agreement, the Assignments, the Subleases and the Sublease Assignments relating to the Subleases have been recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act;

(E) This Lease Agreement, the Assignments and the Sublease Assignments relating to the Subleases are the legal, valid and binding obligations of Lessee enforceable in accordance with their respective terms (except as may be affected by bankruptcy, reorganization, insolvency and similar laws affecting the rights of creditors generally and except as may be affected by the application of equitable principles and judicial interpretations limiting the enforcement of remedies which should not, however, render the remedies of Lessor inadequate for the practical realization^{of} the benefits thereof); *m. f. m.*

(F) except as disclosed in Exhibit D to this Lease there are, to the knowledge of such counsel, no pending or threatened actions or proceedings before any court or administrative agency which will, in the opinion of such counsel, to a material extent adversely affect the financial condition or continued operation of Lessee and its subsidiaries on a consolidated basis; and

(G) this Lease Agreement, the Assignments, the Subleases and the Sublease Assignments relating to the Subleases have been duly filed and recorded with the Interstate Commerce Commission pursuant to Section 20c of the Interstate Commerce Act. A financing statement on Form UCC-1 with respect to Sublease Assignments has been filed with the Secretary of State of the State of California. Such filings and recordings, will protect Lessor's interests in and to the Units of Equipment, and no further filing or recording (or giving of notice) with any other Federal, state or local government is necessary in order to protect the interests of Lessor in and to the Units except that (i) each Sublease Assignment and each additional sublease hereafter executed and delivered by Lessee, must be filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act, as amended, and (ii) a continuation statement must be filed within six months prior to the expiration of each five-year period following the date of filing of the financing statement filed with the Secretary of State of California and appropriate amendments or continuation statement must be filed in the event the Company changes its name or principal place of business; and

(iv) A certificate of the President or the Vice President-Finance of the Lessee dated such date as to the accuracy of the matters set forth in Sections 24(a) and 24(b) hereof; and

(d) Lessee shall have furnished to Lessor, in form and substance satisfactory to Lessor, the following on or prior to the date of each requested payment hereunder:

(i) An invoice covering the Units of Equipment for which such payment is requested;

(ii) A Certificate of Acceptance substantially in the form of Exhibit A hereto, signed by (i) an employee or agent of Lessee (as the authorized representative of Lessor hereunder) confirming delivery to, and acceptance by, Lessor of the Units of Equipment for which such payment is requested and (ii) an officer of Lessee confirming acceptance under this Lease by Lessee of the Units of Equipment for which such payment is requested; and

(iii) A certificate of the President or the Vice President-Finance of the Lessee dated such date as to the accuracy of the matters set forth in Sections 24(a) and 24(b) hereof.

Counsel, in rendering the opinion referred to in Section 24(c)(iii) may, as to factual matters not within its actual knowledge, rely on certificates of employees of Lessee to the extent such counsel deems it appropriate.

Section 25. Miscellaneous.

(a) Any provision of this Lease which is prohibited or unenforceable in any jurisdiction or in any application shall, as to such jurisdiction or application, be ineffective to the extent of such prohibition or unenforceability, without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in such jurisdiction or application shall not invalidate or render unenforceable such provision in any other jurisdiction or application which is severable from the invalid or unenforceable application. To the extent permitted by applicable law, Lessee hereby waives any provision of law which renders any provision hereof prohibited or unenforceable in any respect.

(b) This writing (including all Exhibits, Schedules and Supplements annexed hereto) forms the entire agreement of lease between the parties, and no term or provision of this Lease may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by all parties hereto.

(c) All computations of interest and amounts equivalent to interest under this Lease shall be made on the basis of a 360-day year of twelve 30-day months.

(d) Notwithstanding any provision hereof to the contrary, any payment of Rent due on a day which is not a Business Day shall be paid on the next succeeding day which is a Business Day.

(e) The captions in this Lease are for convenience of reference only, and shall not define or limit any of the terms or provisions hereof.

(f) This Lease shall be binding upon and enforceable against the parties hereto and their respective successors and assigns, and shall in all respects be governed by and construed in accordance with, the laws of the State of Maryland, including all matters of construction, validity and performance; provided, however, that the parties shall be entitled to the benefits of Section 20c of the Interstate Commerce Act.

(g) This Lease may be executed simultaneously in two or more counterparts, each of which so executed shall be deemed to be an original against the party whose signature appears thereon, but all of which together shall constitute one and the same instrument.

(h) To the extent, if any, that this Lease constitutes chattel paper (as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction) no security interest in this Lease may be created through the transfer of possession of any counterpart hereof other than the original counterpart, which shall be identified as the counterpart containing the receipt therefor executed by Lessor on the signature page thereof.

Section 26. Application of Deposit.

Lessee has heretofore delivered to Lessor a deposit in the amount of \$10,000. In the event that (i) prior to the first Delivery Date there is a change in the Federal income tax law which is effective for calendar year 1978, and (ii) the effect of such change is to decrease Lessor's after-tax net annual rate of return in respect of this Lease by more than .001 of Lessor's Cost (10 "basis points"), then Lessor shall retain such deposit for its own account, and shall have no liability to Lessee therefor. Unless such a Federal income tax law change with such an effect shall occur, however, Lessor shall credit such deposit against any Interim Rent which may be payable hereunder and, if necessary, against the first installment of Basic Rent payable hereunder.

IN WITNESS WHEREOF, Lessor and Lessee have each caused this Lease Agreement to be duly executed and their respective corporate seals to be affixed hereto and duly attested, all as of the day and year first above written.

(corporate seal)

Attest:

Donald H. Hook, Jr.
its: PRESIDENT + SECRETARY
(corporate seal)

Attest:

Faye A. Walcott

LESSOR:

FIRST MARYLAND LEASECORP

By Maurice P. Moore
As its: FINANCIAL OFFICER

LESSEE:

BRAELEASE CORPORATION

By Lawrence W. Birken
As its: Vice President

State of Maryland)
CITY)
County of BALTIMORE)

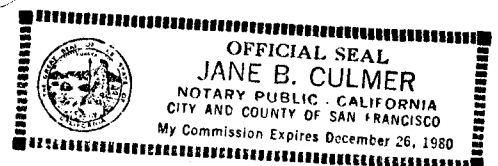
On this 23rd day of October 1978 before me personally appeared
MAURICE E. MOORE to me known, who being by me duly
sworn says that such person is a FINANCIAL OFFICER of FIRST MARYLAND LEASE-
CORP, that the seal affixed to the foregoing Equipment Lease is the corporate
seal of such corporation, that the foregoing Equipment Lease Agreement was
signed and sealed on behalf of such corporation by authority of its board of
directors, and such person acknowledged that the execution of the foregoing
instrument was the free act and deed of such corporation.

Deborah Ann Kiser
Notary Public

State of California)
City and County of San Francisco)

On this 17th day of October 1978 before me personally appeared
Lawrence W. Briscoe to me known, who being by me duly sworn says that such
person is a Vice President of BRAELEASE CORPORATION, that the seal affixed
to the foregoing Equipment Lease is the corporate seal of such corporation,
that the foregoing Equipment Lease Agreement was signed and sealed on behalf
of such corporation by authority of its board of directors, and such person
acknowledged that the execution of the foregoing instrument was the free act
and deed of such corporation.

Jane B. Culmer
Notary Public



Schedule I

Attached to and forming a part of that certain Equipment Lease Agreement dated as of October 1, 1978 by and between First Maryland Leasecorp and BraeLease Corporation.

Description of Units

<u>Total Number of Units</u>	<u>Manufacturer</u>	<u>Description</u>	<u>Identifying Nos. (both inclusive)</u>	<u>Marking</u>
50	PACCAR, Inc., Pacific Car and Foundry Division	70 - Ton XM Boxcars	ADN 9300 - ADN 9349	"First Maryland Leasecorp, Owner - Lessor"
50	Fruit Growers Express Company	70 - Ton XM Boxcars	ONW 5001 - ONW 5050	

EXHIBIT A

ATTACHED TO AND FORMING A PART OF THAT CERTAIN EQUIPMENT LEASE AGREEMENT DATED AS OF OCTOBER 1, 1978 BY AND BETWEEN FIRST MARYLAND LEASECORP AND BRAELEASE CORPORATION. *m.g.m.*

First Maryland Leasecorp
25 South Charles Street
Post Office Box 1596
Baltimore, Maryland 21203

CERTIFICATE OF ACCEPTANCE
(BOXCARS)

Gentlemen:

1. The undersigned employee or agent is your authorized representative designated under the Equipment Lease Agreement dated as of October 1, 1978 (the "Lease") between you and BraeLease Corporation. As such authorized representative, the undersigned hereby represents and certifies to you as follows:

- (a) that the boxcars described in Schedule I hereto have been duly delivered in good order by _____, have been duly inspected and accepted on the respective dates there shown by the undersigned as your authorized representative and conform in all respects to the requirements and specifications of the Lease; and
- (b) that each such boxcar was at its delivery properly marked on each side thereof with the legend provided in Section 6(d) of the Lease.

2. The undersigned, BraeLease Corporation ("Lessee"), is the Lessee under the Lease. As Lessee, we hereby request you to pay the attached invoices for the purchase and delivery of the boxcars described in Schedule I hereto. We hereby represent and certify to you as follows:

- (a) that all of our representations and warranties set forth in Section 5(b) of the Lease are true and correct as of the date hereof as though made on this date;
- (b) that the boxcars have been delivered to us, as Lessee under the Lease, on the dates indicated and have been duly inspected and are hereby accepted by us for lease under the Lease; and
- (c) that no Event of Default, or event which with the giving of notice or passage of time or both would become an Event of Default, has occurred and is continuing under the Lease.

3. This Certificate of Acceptance shall be and become a part of the Lease, and the boxcars described in Schedule I hereto are hereby declared to be leased by us thereunder. The Lease was filed and recorded with the Interstate Commerce Commission on _____, 1978 at ____:____.M. with Recordation No. _____.

(corporate seal)

Attest:

As its: _____

(corporate seal)

Attest:

As its: _____

Authorized representative, signing as to the matters in paragraph 1 above

Dated: _____, 1978

BRAELEASE CORPORATION,
Lessee, and signing as to the matters in paragraphs 2 and 3 above

By _____
As its: _____

Dated: _____, 1978

Accepted:

FIRST MARYLAND LEASECORP

By _____
As its: _____

Dated: _____

SCHEDULE I

Attached to and forming a part of that certain Certificate of Acceptance dated as of _____ by and between First Maryland Leasecorp and BraeLease Corporation.

DESCRIPTION OF UNITS

<u>Total No. of Units</u>	<u>Description</u>	<u>Identifying Nos. (both inclusive)</u>	<u>Markings</u>	<u>Invoice Amount</u>
	70 - ton XM Boxcars		"First Maryland Leasecorp, Owner - Lessor"	

EXHIBIT B

ATTACHED TO AND FORMING A PART OF THAT CERTAIN EQUIPMENT LEASE AGREEMENT DATED AS OF OCTOBER 1, 1978 BY AND BETWEEN FIRST MARYLAND LEASECORP AND BRAELEASE CORPORATION.

m.f.m.

LEASE SUPPLEMENT NO. _____

This LEASE SUPPLEMENT No. _____, dated _____, 1978 by and between FIRST MARYLAND LEASECORP, a Maryland corporation, as lessor (herein called "Lessor"), and BRAELEASE CORPORATION, a Delaware corporation, as lessee (herein *m.f.* called "Lessee"):

W I T N E S S E T H:

WHEREAS, Lessor and Lessee have heretofore entered into a certain Equipment Lease Agreement dated as of October 1, 1978 (herein called the "Lease", the terms defined in the Lease being used herein with the same meanings), which provides for the execution and delivery of one or more Lease Supplement(s) substantially in the form hereof, for the purposes of identifying the specific Units of Equipment subject to the Lease and of leasing the same under and in accordance with the terms of the Lease as and when such Units are delivered by Lessor to Lessee in accordance with the terms thereof.

WHEREAS, the Lease relates to the specific Units of Equipment described in Schedule I hereto.

NOW, THEREFORE, in consideration of the premises and intending to be legally bound hereby, Lessor and Lessee hereby agree as follows:

1. Lessor has delivered to Lessee the Units of Equipment described in Schedule I hereto, and Lessee has accepted said Units of Equipment from Lessor under the Lease as of the respective Delivery Dates therefor specified in Schedule I hereto.

2. The Delivery Dates for such Units are the actual dates of delivery and acceptance for such Units, respectively.

3. The Term of the Lease with respect to such Units commenced on their respective Delivery Dates and shall end fifteen years from the Basic Lease Term Commencement Date with respect to such Units unless earlier terminated pursuant to the provisions of the Lease, and shall include all extensions and renewals thereof.

4. Lessee hereby confirms its agreement to pay Rent to Lessor throughout the Term in accordance with the provisions of the Lease, as follows:

(a) Interim Rent for each Unit shall be equal to the product derived from multiplying (i) a daily rate of 0.0354% by (ii) the Lessor's Cost applicable to such Unit by (iii) the number of days in the Interim Period for such Unit, such amount to be due and payable on the Basic Lease Term Commencement Date with respect to such Unit.

(b) Commencing on the Basic Lease Term Commencement Date with respect to such Unit, Basic Rent for each Unit shall be equal to:

(i) Sixteen quarterly installments, payable in arrears, equal to the product derived by multiplying (i) a quarterly rate of 3.000% by (ii) the Lessor's Cost applicable to such Unit; immediately followed by

(ii) Forty-four quarterly installments, payable in arrears, equal to the product derived by multiplying (i) a quarterly rate of 3.3257% by (ii) the Lessor's Cost applicable to such Unit.

(c) The total Basic Rent shall be equal to the sum of 4(b) (i) and 4(b) (ii).

5. Lessee hereby confirms to Lessor that Lessee has accepted such Units for all purposes hereof and of the Lease; provided, however, that nothing contained herein or in the Lease shall in any way diminish or otherwise affect any right which Lessee or Lessor may have with respect to such Units against any manufacturer, vendor or supplier thereof or otherwise.

6. All the terms and provisions of the Lease are hereby incorporated by reference in this Lease Supplement to the same extent as if fully set forth herein.

7. This Lease Supplement has been delivered in the State of Maryland and shall in all respects be governed by, and construed in accordance with, the laws of the State of Maryland, including all matters of construction, validity, and performance.

IN WITNESS WHEREOF, Lessor and Lessee have caused this Lease Supplement to be duly executed and their corporate seals to be affixed hereto and duly attested, all as of the day and year first above set forth.

(corporate seal)

LESSOR:

ATTEST:

FIRST MARYLAND LEASECORP

As its: _____

By: _____

As its: _____

(corporate seal)

LESSEE:

ATTEST:

BRAELEASE CORPORATION

As its: _____

By: _____

As its: Vice President

SCHEDULE I

Attached to and forming a part of that certain Lease Supplement No. _____ dated
as of _____ by and between First Maryland Leasecorp
and BraeLease Corporation.

DESCRIPTION OF UNITS

<u>Total No. of Items</u>	<u>Description</u>	<u>Identifying Nos.</u>	<u>Delivery Date</u>	<u>Markings</u>	<u>Invoice Amount</u>
<i>m.f.m.</i> <u>UNITS</u>	70 - Ton XM Boxcars			"First Maryland Leasecorp, Owner-Lessor"	

State of Maryland)
)
County of _____)

On this _____ day of _____ 1978 before me personally appeared _____ to me known, who being by me duly sworn says that such person is _____ of FIRST MARYLAND LEASECORP, that the seal affixed to the foregoing Lease Supplement is the corporate seal of such corporation that the foregoing Lease Supplement was signed and sealed on behalf of such corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instrument was the free act and deed of such corporation.

Notary Public

State of California)
)
City and County of San Francisco)

On this _____ day of _____ 1978 before me personally appeared _____ to me known, who being by me duly sworn says that such person is a Vice President of BRAE-LEASE CORPORATION, that the seal affixed to the foregoing Lease Supplement is the corporate seal of such corporation that the foregoing Lease Supplement was signed and sealed on behalf of such corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instrument was the free act and deed of such corporation.

Notary Public

EXHIBIT C

ATTACHED TO AND FORMING A PART OF THAT CERTAIN EQUIPMENT LEASE AGREEMENT DATED AS OF OCTOBER 1, 1978 BY AND BETWEEN FIRST MARYLAND LEASECORP AND BRAELEASE CORPORATION.

TERMINATION VALUE FOR EACH UNIT OF EQUIPMENT

"Termination Value" of any Unit as of a particular date shall mean the product derived from multiplying (i) the percentage figure opposite the notation for the appropriate Basic Rental Payment Date set forth in the table appearing below by (ii) Lessor's Cost applicable to such Unit. Termination Value does not include any amounts for which Lessor may be entitled to indemnification under Sections 14(a) and 19 of the Equipment Lease Agreement. */

TERMINATION VALUE TABLE

		%
On or Before the Final Delivery Date		102.000
Thereafter, But on or Before Basic Rent		
Payment Date No.	1	105.9139
Thereafter, But on or Before Basic Rent		
Payment Date No.	2	106.7577
Thereafter, But on or Before Basic Rent		
Payment Date No.	3	107.4184
Thereafter, But on or Before Basic Rent		
Payment Date No.	4	107.9345
Thereafter, But on or Before Basic Rent		
Payment Date No.	5	107.0475
Thereafter, But on or Before Basic Rent		
Payment Date No.	6	107.1685
Thereafter, But on or Before Basic Rent		
Payment Date No.	7	107.2645
Thereafter, But on or Before Basic Rent		
Payment Date No.	8	107.3253
Thereafter, But on or Before Basic Rent		
Payment Date No.	9	107.3199
Thereafter, But on or Before Basic Rent		
Payment Date No.	10	107.2591
Thereafter, But on or Before Basic Rent		
Payment Date No.	11	107.1573

*/ The Termination Value percentages as shown below include the Basic Rent due on that Basic Rent Payment Date.

EXHIBIT C
TERMINATION VALUE TABLE

		<u>%</u>
Thereafter, But on or Before Basic Rent Payment Date No.	12	107.0094
Thereafter, But on or Before Basic Rent Payment Date No.	13	106.8013
Thereafter, But on or Before Basic Rent Payment Date No.	14	106.5376
Thereafter, But on or Before Basic Rent Payment Date No.	15	106.2276
Thereafter, But on or Before Basic Rent Payment Date No.	16	105.8671
Thereafter, But on or Before Basic Rent Payment Date No.	17	105.4479
Thereafter, But on or Before Basic Rent Payment Date No.	18	104.6355
Thereafter, But on or Before Basic Rent Payment Date No.	19	103.7684
Thereafter, But on or Before Basic Rent Payment Date No.	20	102.8403
Thereafter, But on or Before Basic Rent Payment Date No.	21	101.8430
Thereafter, But on or Before Basic Rent Payment Date No.	22	100.7807
Thereafter, But on or Before Basic Rent Payment Date No.	23	99.6848
Thereafter, But on or Before Basic Rent Payment Date No.	24	98.5421
Thereafter, But on or Before Basic Rent Payment Date No.	25	97.3372
Thereafter, But on or Before Basic Rent Payment Date No.	26	96.0672
Thereafter, But on or Before Basic Rent Payment Date No.	27	94.7559
Thereafter, But on or Before Basic Rent Payment Date No.	28	93.3918

EXHIBIT C
TERMINATION VALUE TABLE

		<u>%</u>
Thereafter, But on or Before Basic Rent Payment Date No.	29	91.9667
Thereafter, But on or Before Basic Rent Payment Date No.	30	90.4672
Thereafter, But on or Before Basic Rent Payment Date No.	31	88.9474
Thereafter, But on or Before Basic Rent Payment Date No.	32	87.3674
Thereafter, But on or Before Basic Rent Payment Date No.	33	85.7278
Thereafter, But on or Before Basic Rent Payment Date No.	34	84.0223
Thereafter, But on or Before Basic Rent Payment Date No.	35	82.2820
Thereafter, But on or Before Basic Rent Payment Date No.	36	80.4918
Thereafter, But on or Before Basic Rent Payment Date No.	37	78.6436
Thereafter, But on or Before Basic Rent Payment Date No.	38	76.7294
Thereafter, But on or Before Basic Rent Payment Date No.	39	74.7835
Thereafter, But on or Before Basic Rent Payment Date No.	40	72.7896
Thereafter, But on or Before Basic Rent Payment Date No.	41	70.7392
Thereafter, But on or Before Basic Rent Payment Date No.	42	68.6227
Thereafter, But on or Before Basic Rent Payment Date No.	43	66.4781
Thereafter, But on or Before Basic Rent Payment Date No.	44	64.2871
Thereafter, But on or Before Basic Rent Payment Date No.	45	62.0416
Thereafter, But on or Before Basic Rent Payment Date No.	46	59.7299

EXHIBIT C
TERMINATION VALUE TABLE

		<u>%</u>
Thereafter, But on or Before Basic Rent Payment Date No.	47	57.3937
Thereafter, But on or Before Basic Rent Payment Date No.	48	55.0130
Thereafter, But on or Before Basic Rent Payment Date No.	49	52.5797
Thereafter, But on or Before Basic Rent Payment Date No.	50	50.0804
Thereafter, But on or Before Basic Rent Payment Date No.	51	47.5604
Thereafter, But on or Before Basic Rent Payment Date No.	52	44.9980
Thereafter, But on or Before Basic Rent Payment Date No.	53	42.3849
Thereafter, But on or Before Basic Rent Payment Date No.	54	39.7044
Thereafter, But on or Before Basic Rent Payment Date No.	55	36.9980
Thereafter, But on or Before Basic Rent Payment Date No.	56	34.2447
Thereafter, But on or Before Basic Rent Payment Date No.	57	31.4401
Thereafter, But on or Before Basic Rent Payment Date No.	58	28.5644
Thereafter, But on or Before Basic Rent Payment Date No.	59	25.6537
Thereafter, But on or Before Basic Rent Payment Date No.	60	23.3257
And Thereafter		20.0000

EXHIBIT D

Certain Legal Proceedings

In a proceeding designated Ex Parte No. 252 (Sub-No. 1), Incentive Per Diem Charges - 1968, the Commission promulgated regulations which are published at 49 Code of Federal Regulations Part 1036. Those regulations require common carriers by railroad to pay prescribed per diem charges on "XM" and "XF" boxcars, owned or leased by other common carriers by railroad, during the period September through February. Effective July 1, 1978, the per diem car hire fare and the incentive rate were modified to hourly charges. They are designed to encourage the acquisition and improved utilization of types of cars for which the Commission has found the supply to be inadequate. The regulations also define the uses which collecting carriers may make of the funds resulting from such charges.

In a proceeding designated Ex Parte No. 252 (Sub-No. 2), Incentive Per Diem Charges - Gondolas, the Commission is considering extending the present regulations to include gondolas. The Commission has prescribed regulations requiring incentive per diem to be paid on gondolas but it has stayed indefinitely the effective date of the regulations. The proceeding has been reopened and interested parties have been allowed to comment on an economic analysis upon which the Commission concluded the supply of plain gondola cars is adequate for the purposes of section 1 (14)(a) of the Interstate Commerce Act. This conclusion, if not changed on the basis of comments of interested parties, bars the extension of incentive per diem to gondolas.

In a proceeding designated Ex Parte No. 252 (Sub-No. 3), Use of Incentive Per Diem Funds, the Commission is considering possible revisions of the regulations to permit use of incentive per diem funds for (1) projects designed to improve freight car utilization by means other than construction, purchasing, leasing or rebuilding of freight cars; (2) repair and maintenance

of freight cars under certain circumstances; and (3) a second non-equity lease where the initial lessee defaults and the term of the second lease equals the remainder of the initial lease. Interested parties filed initial statements by July 13, 1978 and reply statements by August 2, 1978. Based upon these statement the Commission will determine whether a rulemaking proceeding to amend the existing regulations should be instituted.

In a proceeding designated Ex Parte No. 334, Car Service Compensation - Basic Per Diem Charges - Formula Revision in Accordance With The Railroad Revitalization and Regulatory Reform Act of 1976, the Commission considered proposals for revision of the basic per diem charges which one railroad pays for the use of a freight car of another railroad. These charges apply to all freight cars and are separate from incentive per diem charges. It is anticipated that the effect of the Commission's decision, served August 10, 1977, and modified by report and order served April 3, 1978, and orders served May 24, 1978, and July 11, 1978, will be to increase basic per diem charges. The amount, if any, of such increase will not be determined until pending Court proceedings separately initiated by Consolidated Rail Corporation and Atchison, Topeka & Santa Fe Railway Company are resolved and until financial reports are filed with the Commission by rail carriers for calendar year 1978.

EXHIBIT E

Insurance

The Lessee will, at all times while this Lease is in effect, at its own expense, cause to be carried and maintained, insurance policies insuring the Lessee and the Lessor against liability for personal injury and property damages caused by or relating to such Units or their use with coverage in the amount of at least \$5,000,000 per occurrence, and not more than a \$100,000 deductible per occurrence.

The insurance maintained pursuant to Section 15(a) may contain a liability limit of not less than \$5,000,000 per occurrence.

EXHIBIT F

ASSIGNMENT OF LEASE AND AGREEMENT dated as of
(hereinafter called this Assignment),
by and between BRAELEASE CORPORATION (hereinafter called
the Lessor), and FIRST MARYLAND LEASECORP (hereinafter
called the Assignee).

WHEREAS the Assignee has entered into an Equipment Lease Agreement dated as of October 1, 1978 (hereinafter called the Master Lease), with Lessor, providing for the Lease to the Lessor of such units of railroad equipment (hereinafter called the "Units") described in Schedule I thereto as are delivered to and accepted by the Lessor thereunder;

WHEREAS the Lessor and (hereinafter called the Lessee) have entered into a Lease Agreement dated as of (hereinafter called the Lease), a true copy of which is annexed hereto , providing for the leasing by the Lessor to the Lessee of certain of the Units and

WHEREAS in order to provide security for the obligations of the Lessor under the Master Lease and as an inducement to the Assignee to enter into the Master Lease, the Lessor has agreed to assign to the Assignee for security purposes its rights in, to and under the Lease (but only to the extent that the same arise out of, derive from, or relate to the Units);

NOW, THEREFORE, in consideration of the premises and of the payments to be made and the covenants hereinafter set forth to be kept and performed, the parties hereto agree as follows:

1. Subject to the provisions of Paragraph 9 hereof, the Lessor hereby assigns, transfers and sets over unto the Assignee, as collateral security for the payment and performance of the obligations of the Lessor (as "Lessee") under the Master Lease, all the Lessor's right, title and interest, powers, privileges and other benefits under the Lease (but only to the extent that the same arise out of, derive from, or relate to the Units), including, without limitation the immediate right to receive and collect all rentals, profits and other amounts payable to or receivable by the Lessor from the Lessee under or pursuant to the provisions of the Lease whether as rent, casualty payment, indemnity, liquidated damages, or otherwise, but only to the extent that the same arise out of, derive from, or relate to the Units (such moneys being hereinafter called the Payments), and the right to make all waivers and agreements, to give all notices, consents and releases, to take all action upon the happening of an event of default specified in the Lease, and to do any and all other things whatsoever which the Lessor is or may become entitled to do under the Lease (but only in respect of the Units). In furtherance of the foregoing assignment, the Lessor, subject to the provisions of Paragraph 9 hereof, hereby irrevocably authorizes and empowers the Assignee in its own name, or in the name of its nominee, or in the name of the Lessor or as its attorney, to ask, demand, sue for, collect and receive any and all Payments to which the Lessor is or may become entitled under the Lease, and to enforce compliance by the Lessee with all the terms and provisions thereof (but only to the extent that the same arise out of, derive from, or relate to the Units). The Assignee agrees to accept any Payments made by the Lessee for the account of the Lessor pursuant to the Lease. To the extent received, the Assignee will apply such Payments to satisfy the obligations of the Lessor under the Master Lease.

2. This Assignment is executed only as security and, therefore, the execution and delivery of this Assignment shall not subject the Assignee to, or transfer, or pass, or in any way affect or modify the liability of the Lessor under the Lease, it being understood and agreed that notwithstanding this Assignment or any subsequent assignment, all obligations of the Lessor to the Lessee shall be and remain enforceable by the Lessee, its successors and assigns, against, and only against, the Lessor or persons other than the Assignee.

3. The Lessor will faithfully abide by, perform and discharge each and every obligation, covenant and agreement which the Lease provides are to be performed by the Lessor. Without the written consent of the Assignee, the Lessor will not anticipate the rents under the Lease as it relates to the Units or waive, excuse, condone, forgive or in any manner release or discharge the Lessee thereunder of or from the obligations, covenants, conditions and agreements to be performed by the Lessee, including, without limitation, the obligation to pay the rents in the manner and at the time and place specified therein or enter into any agreement amending, modifying or terminating the Lease as it relates to the Units and the Lessor agrees that any amendment, modification or termination thereof without such consent shall be void.

4. Subject to the provisions of Paragraph 9 hereof, the Lessor does hereby constitute the Assignee the Lessor's true and lawful attorney, irrevocably, with full power (in the name of the Lessor, or otherwise), to ask, require, demand, receive, compound and give acquittance for any and all Payments due and to become due under or arising out of the Lease to which the Lessor is or may become entitled, to enforce compliance by the Lessee with all the terms and provisions of the Lease, (but only to the extent that the same arise out of, derive from, or relate to the Units), to endorse any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings which to the Assignee may seem to be necessary or advisable in the premises.

5. Upon the full discharge and satisfaction of all amounts due from the Lessor under the Master Lease, this Assignment and all rights herein assigned to the Assignee shall terminate, and all estate, right, title and interest of the Assignee in and to the Lease shall revert to the Lessor.

6. The Lessor will, from time to time, execute, acknowledge and deliver any and all further instruments required by law or reasonably requested by the Assignee in order to confirm or further assure, the interest of the Assignee hereunder.

7. The Assignee may assign all or any of the rights assigned to it hereby or arising under the Lease, including, without limitation, the right to receive any Payments due or to become due. In the event of any such assignment, any such subsequent or successive assignee or assignees shall, to the extent of such assignment, enjoy all the rights and privileges and be subject to all the obligations of the Assignee hereunder.

8. This Assignment shall be governed by the laws of the State of Maryland, but the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act.

9. The Assignee hereby agrees with the Lessor that the Assignee will not, so long as no Event of Default under the Master Lease has occurred and is continuing, exercise or enforce, or seek to exercise or enforce, or avail itself of, any of the rights, powers, privileges, authorizations or benefits assigned hereby and that, subject to the terms of the Lease and the Master Lease, the Lessor may, so long as no Event of Default under the Master Lease has occurred and is continuing, exercise or enforce, or seek to exercise or enforce or avail itself of, such rights, powers, privileges, authorizations or benefits.

10. Whenever the Lease covers equipment other than the Units and the amount of any payment due to the Lessee under the Lease as car hire payments (including both straight and incentive per diem), mileage charges or other rental revenues is calculated on an aggregate basis for all equipment leased thereunder, an amount equal to the Assigned Fraction (as hereinafter defined) of each such payment shall be deemed to be payable with respect to the Units. For the purpose hereof, "Assigned Fraction" shall mean a fraction the numerator of which is the number of Units leased under the Lease and the denominator of which is the aggregate number of units of equipment (including such Units) at the time leased under the Lease.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed in their respective corporate names by officers thereunto duly authorized, and their respective corporate seals to be affixed and duly attested, all as of the date first above written.

(corporate seal)

BRAELEASE CORPORATION

Attest:

By _____
Vice President

(corporate seal)

First Maryland Leasecorp

Attest:

By _____

State of Maryland)
County of _____)

On this _____ day of October 1978 before me personally appeared _____ to me known, who being by me duly sworn says that such person is _____ of FIRST MARYLAND LEASECORP, that the seal affixed to the foregoing Assignment of Lease and Agreement is the corporate seal of such corporation, that the foregoing Assignment of Lease and Agreement was signed and sealed on behalf of such corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instrument was the free act and deed of such corporation.

Notary Public

State of California)
City and County of San Francisco)

On this _____ day of October 1978 before me personally appeared _____ to me known, who being by me duly sworn says that such person is a Vice President of BRAELEASE CORPORATION, that the seal affixed to the foregoing Assignment of Lease and Agreement is the corporate seal of such corporation, that the foregoing Assignment of Lease and Agreement was signed and sealed on behalf of such corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instrument was the free act and deed of such corporation.

Notary Public